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REAL MONEY

versus

BANKS OF ISSUE PROMISES TO PAY

MAXIM OF THE MONEY LENDERS OF THE OLD WORLD:
"Let us control the money of a country and we care not who makes its laws"

REAL MONEY

versus

BANKS OF ISSUE PROMISES TO PAY

THE MOST IMPORTANT FACTOR IN CIVILIZATION AND LEAST UNDERSTOOD

BY

T. CUSHING DANIEL

THE UNDERLYING CAUSE OF THE HIGH COST OF LIVING

THE UNITED STATES SHOULD BE THE DOMINATING MONEY CENTRE OF THE WORLD

PRINTED FOR THE AUTHOR
1911

DEDICATED

TO THE

HONEST WORKERS

AND

REAL PRODUCERS OF THE WORLD

INDEX

REAL MONEY

versus

BANKS OF ISSUE PROMISES TO PAY

THE PRESENT BANKING SYSTEM.

We are cursed with a money system which can only be properly designated as a monumental fraud perpetrated on an unsuspecting people.

The wars of the world and their demoralizing effects have done most to foist upon the people a false money system. The money lenders and those who live on interest have utilized the national debts of the world to their profit. The international banking institutions when buying government bonds have always posed as public benefactors, and have it appear in the public press that they are the saviors of the credit of the country in its times of need, yet an investigation of the history of the sale of government bonds will show that these dealers in the misfortunes of the country have in every instance driven the hardest bargain and bought bonds at the lowest possible price, and exacted the highest rate of interest, and, as a rule, sold them at a premium, the total amount dealt in being $16,920,000,000 (not counting interest), and even in times of peace they have used their great influence to increase the public debt.

A review of the debts of the world will demonstrate this to be a fact beyond contravention, yet it is only necessary for us at this time to sum up the experience of the United States, and show the cost of our public debt to the tax-payers, and the profit made on it by the national banks and foreign investors in the bonds of the United States, all paid by the taxes of the people, and, as a rule, received by non-producers. The account of the United States Treasury alone shows the following:

Page 113. Annual Report of the Secretary of the Treasury, 1909.

Paid interest on the public debt from 1860 to 1909	$2,612,144,531.10
Paid on principal public debt from 1865 to September 30, 1910	1,377,831,931.01
	$3,989,976,462.11

Let the banking system established in the United States after the war, as managed by bankers for the last forty-five years, be the test of the merit of these men and the system, and see if they are worthy to be trusted with the control of the money of this great country, upon which depends the business and welfare of ninety million people. You can judge the future only by the past, and what man has done from self-interest in the past he will do again in the future if the opportunity is given him.

Out of these losses of the war the burden of a great debt fell upon the people of the United States. Who, or what class of men, made money out of this misfortune of the people of this country?

The foregoing summary demonstrates the cost of the national bank system to the people of the United States

and how these bond and money dealers reaped the harvest.

In the light of our present-day intelligence, a remarkable transaction took place at this time. The representatives of the American people in Congress assembled chartered national banks, virtually telling them (for the result demonstrated it), "We will issue to you millions of first mortgage bonds upon the property of the people of the United States and pledge the services and assets of all the people to redeem them at par with interest, and in order that you may pay for them without inconvenience will allow you to deposit them in the United States Treasury, still draw your interest on them, and the Government will allow you to issue 90 per cent. of the money it will require you to pay for them, and we will make your national bank notes absolutely good, by agreeing to redeem them at par." (They can now issue 100 per cent. on the dollar secured by these bonds.) Many of these bonds were bought as low as $65.00 and sold as high as $120.00. These bond issues bore interest rates ranging from $7\frac{3}{10}$ per cent. to 5 per cent., starting in 1862 to a period as late as 1881, and 4 per cent. as late as 1894.

Such is the origin of the bank note in this country and the beginning of the false premises upon which it is now proposed to establish a permanent money system. Money issued by banks and based on debt! Yet there is no man who can successfully contend that a promise to pay money is better than money itself, or that any credit contrivance is as good as real money to do business on.

As a matter of fact, when you say that a bank note, a silver certificate, or any kind of promise to pay, has to be redeemed in something else — for instance, gold —

before it becomes a legal tender to pay a debt, it simply means that debts are issued as a circulating medium instead of real money. I would ask a careful examination of the following:

From "Wealth, Debt, and Taxation"—Page 43, Census Report. Also Report Comptroller Currency—Page 59, Report, 1909.

	1860	1870	1880
National wealth ..	$16,159,616,068	$24,054,814,806	$43,642,000,000
Population	31,443,321	38,558,371	50,155,783
Amount of money.	442,102,477	722,868,461	1,185,550,327

	1890	1900	1904
National wealth ..	$61,203,755,972	$82,304,517,845	$107,104,192,410
Population	62,622,250	76,295,220	81,867,000
Amount of money.	1,685,123,429	2,339,705,673	2,803,504,135

	1909
National wealth...	$117,000,000,000
Population	88,926,000
Amount of money.	3,406,328,354

The total money in circulation is less than shown in the figures here given, and the percentage of increase should therefore be less. See "Comptroller of the Currency," for 1909, page 59,—Amount of money in 1909, $3,124,679,057.

It is here clearly shown that this country at any time in its history could have used its full legal tender dollars for all the money in its currency system, having more real value back of them for their redemption than all the gold in the world. If this had been done it would have saved the tax-payers of the country $3,989,976,462.

Lord Goschen, the English authority on money, practically admitted this could have been done as far back as 1865. "What, it may be asked, will be the value of gold to them—the people of the United States—if they

neither require it for internal circulation, which they may think can be managed as well by paper, nor for payment of foreign liabilities, from which, under our hypotheses, they will be comparatively free."

The United States committed its first blunder by issuing debts instead of money. The scheme originated in London when the Bank of England forced the Government to extend its charter by loaning it £11,015,100, and the Government then allowed the bank to consider this debt an asset of the bank and issue its notes against it. In this way the bank began to foist its notes upon the people. Its mistake is then taken advantage of by the banks, and is supplemented by every known credit contrivance that the ingenuity of individuals and corporations can invent, to take the place of money, in order to meet the demand for more money, and multiply loans or debts upon which interest can be collected.

This country has accumulated more national wealth in two generations than the rest of the world in centuries, and it is the height of folly for the Government to be paying interest on money guaranteed by itself and secured upon bonds.

The effect of the burdens of debt and interest charges is telling upon the nerves and vitality of the Americans. You can see it depicted in the faces of 90 per cent. of the business men you meet on the streets of our large cities. The eager, anxious and necessitous hunt for the illusive dollar, to meet their debts and expenses, is shutting out all contentment and real joys from their lives, and has brought about artificial conditions, breeding disease and hurrying them to premature graves.

To my mind it is a very remarkable thing that this old fallacy, fastened after the war upon the American money system by the foreign and American money lenders, without the knowledge or suspicion of the American citizen as to its full meaning, should have so long escaped his intelligent investigation. It is true, the subject has been clouded and concealed by the discussion of the relative merits of bi-metallism and monometallism since 1868 to the recent establishment of the so-called gold standard—the last subterfuge of the advocates of a credit currency. Money predicated on debts, to be issued and controlled by banks!

It is an utterly indefensible system, and its birth and history absolutely discredit it and should condemn it for all time. A simple statement of the case should annihilate it, for in its final analysis it becomes a *reductio ad absurdum* and is a standing reflection upon the good sense of the American people.

To state it mildly it reflects no credit upon the fairness of the intentions of the men who desire to perpetuate it under the name of a Central Bank of Issue. With this privilege of issuing money with the endorsement of the Government, the money lenders of any country could become millionaires, and would desire to make the system permanent, thus constituting them the dominant class. This is the case in the United States at present.

It was in this way that a national bank note was created, and the insidious beginning of issuing promises to pay, or debts redeemable in gold, instead of money itself, the ultimate of payment. Our whole present money system is an utterly weak credit contrivance. The bankers would say to the American people of the twentieth century,

"Although the war is over and you have practically paid off your national debt, *you* can't do without us. Yes, we know that you have accumulated $117,000,000,000 of national wealth, and you can at any time bankrupt the world by issuing bonds upon same and buying its gold, yet we shall contend you can't issue your own money without our assistance, therefore we must control a great bank of issue to supply and control the amount of money we think the American people ought to have, and in this way we can become their guardians and regulate their business for them, making business good or bad as it suits our interest.

"For this exclusive right to issue money we will allow the United States Treasury to hold our miscellaneous bonds and assets as security upon which we will continue to draw interest, and thus be enabled to lend out the millions of money the Government allows us to issue against them, yet we will require the Government to guarantee to redeem our notes for us and, to disarm suspicion, allow us to call them 'national currency.' We still consider this an equitable arrangement, as it simply segregates us from the great mass of American people, and allows us to 'eat our cake and have it too.' We, the money lenders, no longer accept the correct meaning of the old adage because we have demonstrated it can be done for the last forty-five years.

"Yet in order that our money may be accepted by the people at large we need the endorsement of the sovereign power of the people of the United States that they will redeem all our bank notes or promises to pay in gold, and if necessary issue bonds to buy the gold to redeem our

notes, and then be taxed to pay the bonds, principal, and interest."—For what? In order that "Banks of Issue" may foist their notes upon the people, and control these promises to pay in the place of money itself issued by the Government.

Under their operation there has grown up in this country the greatest speculative borrowing system the world has ever known; every condition is made conducive to borrowing or getting into debt and nothing favorable to getting out of debt. The last act of the Congress on this subject, known as the Aldrich-Vreeland Bill, accepts miscellaneous securities as the basis of issuing emergency money. The word emergency will be left out in the proposed central bank system. This bill is the entering wedge and the stealthy beginning of a deliberate scheme to impose a European money system permanently upon the people of this country, and is the forerunner of the basis upon which the promoters of the "Central Bank of Issue" desire to establish that institution. The effect of this and all other such legislation is to plunge the people, cities, railroads, etc., hopelessly into debt. The banking institutions, most of them interested in bond and stock speculations, having a representative on every important stock exchange in this country and abroad, conspire with outside promoters to manipulate prices. These institutions have given preferences to making loans on stocks and bonds as collateral security until most of the actual money of the country is subject to their calls on such loans, and in this way they can control not only the prices of these securities by advancing the amount of money they will lend on them, but, by calling for the payment of these loans, contract

the actual money in circulation and depress values or bring on a panic at any time. They can do this now with impunity and without the fear of loss to their banking institutions, as the Aldrich-Vreeland Bill has put them in a panic-proof position while leaving the people defenseless. The bill was crowded through the Congress in the closing days of its session, and without notice or knowledge of it by the people, placing them absolutely at the mercy of the banking corporations, and the bankers in a position to *discredit* any *administration* of the *Government* by unloading a panic on it with financial profit to themselves and no risk.

The banking institutions can get the money they want by simply leaving their miscellaneous securities with the United States Treasury to the amount of $500,000,000. In the meantime the people can be financially ruined, or, in other words, are absolutely at the mercy of those in the possession of or having the use of money.

There is no more reason or justification for a banking corporation being allowed to invest its money in miscellaneous securities, or lend it on the property of others, and then be allowed to use these securities or this property as securities to issue money on, to be loaned again, than it is for an individual to invest his money in real estate, or anything else and have the right to issue a like amount. To give banking corporations composed of individuals this privilege is to put them in position to manufacture debts indefinitely and draw interest from the people.

At this point I desire to call special attention of the reader to the following, according to the last report of the Comptroller of the Currency, 1909, page 5.

Of the $5,128,882,351 loans and discounts of national banks on September 1, 1909, one-fourth, or $1,398,879,624, consisted of demand paper, of which $957,349,934 was secured by stocks, bonds, etc.

National banks alone had loaned out money payable to them on demand with individual or firm names, $441,529,690 and secured by stocks and bonds $957,349,934, amounting to $1,398,879,624. Taking into consideration and deducting the legal reserves of banks and money impounded in the United States Treasury and held in trust, there is left only $1,652,300,000 for actual circulation to carry on the entire business of this country and sustain its enormous values. You can readily imagine the power of a money lending class holding a demand call for money sufficient to withdraw practically every dollar in actual circulation. A demand for 10 per cent. of it would cause a panic sufficient to destroy the value of untold millions of the people's holdings.

The following copied from the Report of the Comptroller of the Currency for 1909, page 5, is worthy of the most careful study, as it sets forth in a compact and comprehensive manner the unstable and precarious money situation of this country upon which all business depends:

SUMMARY OF THE SPECIAL REPORTS OBTAINED FOR AND COMPILED BY THE NATIONAL MONETARY COMMISSION FROM 22,491 BANKS OF THE UNITED STATES AND ISLAND POSSESSIONS (INCLUDING NATIONAL, STATE, SAVINGS, AND PRIVATE BANKS AND LOAN AND TRUST COMPANIES), SHOWING THEIR CONDITION AT THE CLOSE OF BUSINESS ON APRIL 28, 1909.

RESOURCES.

1. Loans and discounts:	
(*a*) On demand, unsecured by collateral..	$660,425,952.28
(*b*) On demand, secured by collateral.....	1,939,634,898.23

(*c*) On time, with two or more names, unsecured by collateral............	$2,539,965,833.06
(*d*) On time, single-name paper, unsecured by collateral	1,351,781,832.63
(*e*) On time, secured by collateral........	2,036,358,417.46
(*f*) Secured by real estate mortgages or liens on realty	1,127,276,405.37
(*g*) Not classified	269,373,194.28

Let the people be no longer misled by statements in official documents and the public press that we have a per capita "circulation" of $34.98 of money in our currency system. The fact is, as stated above, that we have only $1,652,300,000 for actual circulation after deducting the legal reserve of the banks as required by law, and amount held in United States Treasury. From the following Excerpt from Report of Comptroller of the Currency, 1909, page 58, the per capita "circulation" is shown to be but $18.54:

By using the details of figures showing monetary stock on May 1, 1909, the per cent. of money in the Treasury will be 9.06, the amount not in the Treasury or banks 48.50, or $1,652,300,000 instead of $1,661,900,000, and the per capita of money not in the Treasury or banks $18.54 instead of $18.68.

Furthermore it will be seen from the Report of the National Monetary Commission, 1909, Special Report from the Banks of the United States (see table No. 7), that they have loaned *on demand* $2,598,404,221.07, or $946,104,221.07 more money than is in actual existence for the circulation or available for use as real money.

On this table it is also shown (*e*) (*f*) (*c*) (*d*) that $7,044,206,902.83 has been loaned on collateral securities consisting mainly of stock and bonds (the $2,030,578,140.52 designated (*e*) is principally on stocks). It should

be borne in mind that the banking institutions have it in their power to make demand on these so-called time loans secured by collateral at very short intervals, hence they lack duration and stability as to time of payment, and this greatly augments the danger.

This being the situation, the American people are brought face to face with the practical danger of there being $7,044,206,902 of money loaned out by banking institutions every dollar of which has a string tied to it and only $1,652,300,000 of money in actual circulation to carry on the entire business of the United States, not taking into consideration the demands for money created by the other tremendous outstanding liabilities enumerated in this table and held by these banks alone. It is safe to say a 5 per cent. call by the banks on these loans secured by stock and bonds would bring on a panic, and a 20 per cent. call take every dollar out of actual circulation.

There is far more than enough of American securities in the hands of European banking establishments specifically payable in gold to exhaust the supply of gold held by the United States Treasury and the banks, at any time, and produce a panic.

In addition to this, it is now a regular thing for American holders of large blocks of stock, in order to conceal their identity, to sell them out abroad as if it were done by European holders, and also send them out of the country and borrow on them in the foreign market, thus reducing the apparent stock supply in the United States. This borrowing of money abroad to carry them eases the money conditions in New York, which has the effect to advance the price of these securities in New York, giving

the owners a chance to unload them at home at the highest they can force the price to. On the other hand if they sell them abroad it depresses prices in New York, and they buy them in at the low price, working both ends of the line, and the money market, to swindle the buying and gambling public.

The favorite plan is for the large owners in conjunction with the banks and trust companies in which they are controlling factors to offer to loan up close to the market value of the securities, and thus push them up by stages—as was done by the National City Bank with Amalgamated Copper Stocks, etc., and then unload them on the public.

It is a very easy matter for these combinations to create a gold movement either way, and keep this see-saw arrangement going without end, exploiting investors, going and coming, and eternally demoralizing all legitimate business.

It would be more business-like and far wiser for us to allow the Europeans to keep their money, which would increase their purchasing power for the things we have for sale, and use our balance of trade against them in buying back American securities upon which our people are paying over $225,000,000 annually, according to the most reliable estimates to be had. On the other hand, by depleting their money supply we reduce prices in European countries and increase their exports by forcing them to undersell us.

With a balance of trade against Europe of an average of $509,780,083 annually for the last twelve years, it is unjustifiable upon any theory based upon common sense

that the people of the United States should be paying foreigners this interest instead of keeping these American securities at home.

Based upon the interest estimated the amount of American securities held abroad would amount to $5,000,000,000.

As a demonstration of the great danger and loss that may occur at any time to the American people from this state of things I would ask a careful examination of the following tabulated statement showing the difference between the market value of the stocks alone of thirty-one railroads and nineteen industrial corporations between the panic year of 1907 and July 19, 1909.

The amazing gains in the stock markets is shown very clearly in the subjoined tables of appreciation in stock values, comparing the low prices of the panic year of 1907 with the prices for July 19, 1909. In the railroad and industrial stocks it shows an increase of $3,206,720,000. Thirty railroads show a gain of $2,171,611,172. Nineteen industrials show an increase of $835,108,948. The New Jersey Central and Union Pacific railroad stocks have doubled in value. United States Steel common stock has appreciated $253,000,000. Delaware, Lackawanna & Western has increased $280 a share. It is an astonishing story and shows how enormous fortunes have been made in the present bull market:

	Closing Price July 19, '09.	Low 1907.	Gain.	Appreciation.
Atchison common	116⅞	66⅜	50½	$61,451,430
Atchison preferred	105	78	27	30,833,865
Atlantic Coast Line	132⅜	58	74⅜	35,356,090
Baltimore & Ohio common	119⅞	75⅜	44½	67,718,231
Baltimore & Ohio preferred	94¾	75	19¾	11,850,000
Canadian Pacific	186¼	138	48¼	72,363,227
Central of New Jersey	288	144	144	39,508,992
Chesapeake & Ohio	78¾	23¼	55½	34,850,503
Chicago & Alton common	69¾	8⅛	61¼	11,969,965
Chicago & Alton preferred	*74	48	26	5,081,440
Chicago, Milwaukee & St. Paul common	155⅝	93½	62⅛	72,281,319
Chicago, Milwaukee & St. Paul preferred	169⅞	130	39⅞	45,492,555

	Closing Price July 19, '09.	Low 1907.	Gain.	Appreciation.
Chicago & Northwestern common	*182¾	126	56¾	$56,035,406
Chicago & Northwestern preferred	*221	135	36	7,063,604
Colorado Southern common	*56½	17	39½	12,245,000
Colorado Southern 1st preferred	81¾	41	40¾	3,421,250
Clorado Southern 2d preferred	80¾	29½	50⅞	4,324,375
Delaware & Hudson	193½	123	70½	29,892,000
Delaware, Lackawanna & Western	*650	369½	280½	146,982,000
Denver & Rio Grande common	47½	16	31½	11,970,000
Denver & Rio Grande preferred	*85⅛	53	32⅛	14,704,383
Erie common	36	12¼	24¼	27,251,883
Erie 1st preferred	53⅝	28	25⅝	12,032,985
Erie 2d preferred	43	20	23	3,680,000
Great Northern preferred	150½	107½	43	90,273,856
Illinois Central	154¾	116	38¾	42,255,673
Kansas City Southern common	45¾	18	27¾	8,325,000
Kansas City Southern preferred	72¼	45	27¼	5,722,500
Louisville & Nashville	144⅝	85⅛	59⅛	35,475,000
Missouri, Kansas & Texas common	42	20¾	21½	13,451,314
Missouri, Kansas & Texas preferred	*73¾	53	20¾	2,697,500
Missouri Pacific	73	44½	28½	22,607,910
New York Central	132⅞	91½	41⅜	73,462,410
New York, New Haven & Hartford	*169½	127⅜	42⅛	42,125,000
Northern Pacific	153⅝	100½	53⅛	130,504,643
Norfolk & Western common	92⅞	56	36⅞	24,337,500
Norfolk & Western preferred	*90	70	20	4,600,000
Pennsylvania	138¼	103½	34¾	215,465,106
Reading common	155⅝	70½	85⅛	119,175,000
Reading 1st preferred	*93	73	20	11,200,000
Reading 2d preferred	*101	67	34	28,560,000
Rock Island common	35¼	11¼	24	21,157,182
Rock Island preferred	73½	26½	47	23,157,182
Southern Pacific	133⅞	63¼	70⅝	190,557,745
Union Pacific common	197	100	97	193,387,251
Union Pacific preferred	106	75	31	30,866,483
Wabash common	21⅜	8	13⅜	6,974,651
Wabash preferred	56¼	14⅛	42⅛	16,487,809
Total				$2,171,611,172

Following is a corresponding table of nineteen industrial stocks:

	Closing Price July 19, '09.	Low 1907.	Gain.	Appreciation.
Amalgamated Copper	81⅞	41¾	40⅛	$61,506,769
American Beet Sugar common	43	7¾	35¼	5,325,000
American Beet Sugar preferred	*95	75	20	1,000,000

*Last previous sale.

	Closing Price July 19, '09.	Low 1907.	Gain.	Appreciation.
American Car & Foundry common....	62	24⅜	37⅝	$11,287,500
American Car & Foundry preferred ..	*118¼	78	40¼	12,075,000
American Cotton Oil common	74	21	53	10,725,663
American Cotton Oil preferred	*103½	70	33½	3,416,531
American Locomotive common	61¼	32¼	29	7,250,000
American Locomotive preferred	*119	83	36	9,000,000
American Smelting & Refining common	93⅞	58¼	35⅝	17,812,000
American Smelting & Refining preferred	112	81¾	30¼	15,125,000
American Sugar common	127	92¾	34¼	15,412,500
American Sugar preferred	*125	106	19	8,550,000
Corn Products common	23¼	8	15¼	7,587,561
Corn Products preferred	87	46	41	12,217,016
Mackay Cos. common	*80	40	40	16,552,160
Mackay Cos. preferred	*74	50	24	12,000,000
National Biscuit common	*106	58½	47½	13,887,100
National Biscuit preferred	125½	90	35½	8,805,597
North American	83¾	37	46¾	13,922,000
Peoples' Gas	116	70¼	45¾	15,986,055
Pressed Steel Car common	44⅛	15⅝	28½	3,562,500
Pressed Steel Car preferred	106	64	42	5,040,000
Pullman Company	*190	135¼	54¾	54,750,000
Railway Steel Spr. common	46½	21½	25	3,375,000
Railway Steel Spr. preferred	105¼	72	33¼	4,488,750
Republic Iron & Steel preferred	107	50½	56½	11,781,380
Republic Iron & Steel common	33	12	21	5,743,920
Sloss-Sheffield common	84¾	26	58¾	6,375,000
Sloss-Sheffield preferred	*116½	80	36½	2,445,500
United States Rubber common	39	13½	25½	6,034,830
United States Rubber 1st preferred...	117	61¼	55¾	20,035,307
United States Rubber 2d preferred....	83	39	44	4,384,600
United States Steel common	71⅝	21⅞	49¾	252,976,362
United States Steel preferred	127⅝	79⅛	48½	174,752,338
Total				$835,188,948

By a careful examination and comparison of the prices of stocks before the panic of 1907 and those of July 19, 1909, it will be seen that they have simply regained the loss brought on by the money contraction and panic of 1907. Few really appreciate the awful consequences of such a fall in the value of these stocks alone. It is well known that a great majority of the individual holders of

*Last previous sale.

these stocks had bought them on margins and that the stocks were in the hands of banking institutions as collateral for loans subject to a call for payment at any time. Imagine the havoc and loss among this army of small investors where a loss occurred in the market value of these securities amounting to over $3,206,702,000, a decline in value of twice the entire amount of gold money in the whole currency system of the United States. Add to this the fall in the value of all things in the United States owned and dealt in by the people, the absolute refusal of banking institutions to accommodate the legitimate demand of business, and some idea can be formed of the extent of this calamity. In addition to the incalculable loss, two million men were out of employment as the direct result. Under such conditions as now exist where every one is encouraged to become a speculator, and hence a borrower, the equity of the multitude in what they think they own is periodically wiped out, and the distinguishing quality of a people under a republican form of government, which endows them with greater energy, enterprise, and individual effort, becomes their curse, owing to an evil financial system—the effect of which is to cheat them when young and beggar them when old.

The academic discussion going on between those intrusted by the people with the great responsibility of looking after their interest, and the financial future of the greatest republic ever known, will now have to be watched by the people. Eternal vigilance is the price of financial liberty, and they should be held strictly accountable.

While the real workers and producers are bringing into existance everything needed by the human family for

its comfort and happiness, and a kind providence has blessed them beyond the former children of the earth, by the selfish machinations of men called financiers, international bankers, etc., we are cursed with a money system which can only be properly designated as a monumental fraud perpetrated on an unsuspecting people.

Up to the present time all legislation on money has been to increase the debtor class. It is now high time owing to the tremendous wealth and productive force of the people of the United States that this process should be reversed, and debt paying instead of debt making be the object of all future legislation affecting the money system.

There is nothing embarrassing and hampering the future of our people more than paying the tremendous tribute to an interest account, that is indirectly carried by them, in addition to their individual obligation, and added to the cost of the things they buy.

To make its awful significance clear I will use a striking illustration, which will be familiar to all, although it is only one of a class of operations which practically cover every important industry in this country. I refer to the United States Steel Corporation.

The important base of the operations of this corporation was owned by Andrew Carnegie and a few competitors. The firm had developed the largest steel and iron manufacturing business in this country. Its profit and legitimate earnings were yielding a large income upon the money invested, after paying reasonable wages to all employed. The owners were getting rich in building up a large legitimate business, left open to competition, that friend of the consumer. These gentlemen, being in funds,

would as a matter of business have no mortgage upon their plants to create a fixed charge of interest which would be a handicap in meeting competition. In meeting fair competition in legitimate business the first and most important use of money is to reduce fixed charges.

Upon this basis steel and iron in all its useful forms could be bought and used by the people at a reasonable price.

A radical change takes place, a notorious promoter and financier, and his associates in like business, conceive an idea, and the following proposition is made to Carnegie and a few competitors. If you, Mr. Carnegie, and others, who own these steel plants, will turn this whole outfit over to us, hereafter to be known as the United States Steel Corporation, we will have issued to you and associates $475,266,500 in first mortgage bonds, secured upon all the property you sell us and bearing 5 per cent. interest, in payment for same. Here is a fixed annual interest charge of $23,762,225 placed upon the cost of running the plants, and added permanently to the cost of steel rails and structural iron, etc., entering into all building operations of any size in this country. The financiers and promoters now take charge of the business in place of the real owners who ought to be working it, and the next step is to convert the imaginary equity of these plants into paper tokens of wealth. Thereupon they capitalize it as follows:

First mortgage bonds	$475,266,500
Second, Preferred 7 per cent. Cumulative Stock..	400,000,000
Third, Common Stock	550,000,000
	$1,425,266,000

What is the direct result of this operation upon the price of the products of this business to the American people? 1. This steel and iron industry is loaded down with a mortgage of $475,266,500, bearing 5 per cent. interest, making a fixed charge upon the product (for no effort is made to pay it off and it will no doubt be funded later for a larger amount) of $23,762,500 a year. 2. Preferred 7 per cent. cumulative stock, $400,000,000, making a charge of $28,000,000 a year. 3. Common stock, $550,000,000, upon which they are now paying 5 per cent., which amounts to another charge of $27,500,000 a year.

Here is the consummation of a deliberate plan to add a burden of cost to the price of steel and iron products to the consumers of $79,162,500 a year by this corporation, after deducting all the legitimate cost of running the business and paying large salaries to its officers and agents. This is the tax the consumers pay one corporation in the steel and iron business alone. Such is the economic result of the iron manufacturer being replaced by the manufacturers of debts in the shape of bonds and stocks to the amount of $1,425,266,000.

It is no longer the first object of this new management to turn out the best quality of products to meet possible competition and succeed on the merits of its business. The *modus operandi* of the promoting bankers is altogether a different process. It introduces the modern, "get rich quick" scheme and, "let the people hold the bag" and posterity inherit the debts. They have so far worked this plan successfully upon most of the great productive resources of this country. The first move after securing the business is to control the output, put up the prices, and

if necessary reduce wages in order to pay dividends upon these paper tokens of wealth.

The banking and financial institutions, largely controlled by these same financiers, stand ready to accept these manufactured debts as collateral for loans, and by such acceptance at once give them a money value, and, as their value is increased on the market they likewise increase the amount of money they will loan on them, which in turn pushes up their market value again, and as the people or the market will absorb or digest them they will feed them out. I have already shown from actual figures that $3,975,933,315.69 of money is loaned on such security as collateral, most of it manufactured in this way. So perfectly have they got this banking machinery working that Morgan & Co. simply alloted so much of the stock of the United States Steel Corporation to banks to be disposed of. Thus, these paper tokens of wealth, manufactured for the purpose and amounting to $950,000,000 above the $475,266,500 first mortgage bonds upon the property, are pushed up in market value until they can be unloaded on the people. Now we see the most celebrated American bankers and financiers in their wonderful feat of jugglery with the money of the country. They have created from something that did not exist paper tokens of wealth and then converted them into nearly $950,000,000 of money, and, forsooth, they are the same men who must have a sound dollar, an honest dollar, a gold dollar, with strings tied to it in order that they may jerk the foundation from under the American money system at any time, and make the people stand the loss.

I ask in the name of the American people if this

legalized robbery has produced or added anything to the material wealth of the country, or its physical or moral well-being? On the contrary it has become as injurious to the well-being of this country as the after-effect of war. It is loading down the great industrial resources with the burden of debts and interest charges. How can the consumers, producers, and workers hope to pay it and get things they need in the upbuilding of this great country at a reasonable price, or ever compete in the foreign market on a fair business basis? High prices here will increase imports and decrease exports, to the great injury of the country.

This process will inevitably destroy our balance of trade with foreign countries, for how can we ever expect to compete with them, when our manufacturing establishments are handicapped by the burden of debts, bearing interest, that have to be added as a fixed charge to the cost of the goods manufactured, and the high wages paid to the workman which have to be maintained in order that they can live, owing to the high cost of everything they need? What chance of sale do the American products stand in competition with a foreign establishment out of debt, and paying lower wages to its workmen, who can live so much cheaper than those in this country? They are thus able to undersell us with ease, hence our great increase in imports of foreign goods.

The trust combinations gave as the main reason for their existence the lowering of the cost of doing business, in their greater economy of operating, thereby enabling them to capture the foreign markets. The result shows they have put up the prices of the things they control so

high in this country that the foreigner is capturing the American markets.

This is a total departure from all well-recognized principles. Heretofore, as soon as a prudent man accumulated any profit, he paid off any mortgage he might have on his business establishment, in order to reduce his fixed charges and reduce the cost of carrying on the business. In this way he was prepared to meet any competitor in turning out or selling the finished products, and so long as he was satisfied with a reasonable profit he need fear no fair competition. Under this condition the law of demand and supply would operate and the people buy at a reasonable price.

These manufacturers of debts, in conjunction with banking, have evolved a plan by which the present manufacturer can retire from business, and still draw his income. Their plan being to put a mortgage upon the entire business and add the interest upon same to the first cost of goods to be paid for by the consumer—it is an indirect charge or tax upon the buyer, but they have arranged it so that he will not see it that way. They then add another improvement in business methods, and although they have not received a patent on it by the United States Government, they find their plan accomplishes the same result, viz., monopoly. In effect, it is a contravention of the laws of nature; the laws of demand and supply no longer regulate the value of the things they handle. They thus stop all competition on the things they market and make the people pay their price.

It simply means, the manufacturers stop fighting each other, get together, and make the money out of the millions

of consumers by advancing the price. They think that by doing a gigantic business the size of it will so daze the minds of the people that they will not realize how it has happened, and the people's Representatives in Congress will hide behind the sage remark, that consolidation is the new and approved order of business. They have everything their own way, for, with a protective tariff wall high enough to keep out foreign competition on the things they sell, they can exploit the people. And in addition to this they and their associates control the money supply, so the people cannot get away from them. Their competitors without money accommodation will have to go out of business.

The combination of the bankers, financiers, and promoters have found this scheme so successful and profitable that they have blanketed almost every important industry of the United States with bond and stock issues until the paper tokens of wealth dealt in on the stock exchanges of this country now amount to about seventy billion dollars, the dividends upon which can be paid in only two ways, by advance on the price of the things sold to the people, or by reducing the wages of the men who make them.

It has been said that "some men lie with such volubility that truth seems to be a fool." Far truer is it that these financial bandits get millions so easily that he who works honestly for his money seems to be a fool.

The whole system is rotten to the core, an ulcer upon the body politic. It would never have fastened itself with all its corrupting influence upon the American people without the co-operation of this Government with the present money lending system.

The indictment will hold as against the banking interests, for without their assistance and co-operation this fungus growth of stocks and bonds issued in absolute violation of all moral, legal, and economic laws, could never have been fastened upon the great industries of this country. And its future mortgaged by unscrupulous financiers and speculators!

Shall free scope any longer be given to the speculative greed of these human hogs to use the development of our marvellous resources as a means of creating false debts? Does the United States Government, catching the frenzied finance craze, propose to follow their lead, and offer a premium on debts, by accepting miscellaneous bonds as security for money issued by banks? This will make all such bonds a favored class of investment for bankers and nonproducers living on their incomes. When a country furnishes and encourages by its money system the creation of debts for its people to invest their money in, less money will go legitimately into productive enterprises affording employment to the workers who build up the real wealth of the country. The inevitable effect is, and will be, that nonproducers and parasites will increase, and producers decrease. Debts and interest will accumulate until the earning power of a mere circulating medium, money, amounting in value as of this date to $3,250,000,000 has been so utilized in creating debts, that its earning power is greater than the net profits of labor, which build up the real national wealth.

This is a reversal of natural and economic laws, which are and should be under normal conditions most favorable to the producer and the man who works. As a demon-

stration of the correctness of these laws, you might destroy money, loans, banks, financial institutions, courts and corporations, yet leave man the earth and his labor will recreate them all.

Manufacturing unnecessary debts upon the natural resources and material wealth of this country, with no idea of ever paying them off, has gone on long enough. They have already created a mountain of abnormal demands upon the American people who now indirectly pay interest on bonds and dividends on stocks without end, until it is crushing legitimate business and placing such a demand and burden upon the real money supply of this country that it can no longer sustain it.

No man or corporation can load down a business with a mortgage for all it is worth, bearing interest, and sell its output to the consumer at a fair price or survive legitimate competition.

No country can likewise compete with another under such conditions.

THE PRESENT BANKING SYSTEM AND STOCK GAMBLING.

Now let us look at the condition of stock gambling that has grown up under the present banking system of the United States. Few who indulge in it call it gambling, yet to those who know the inside of the game, the promoter of the combinations, syndicates in investments, "speculations," "fliers," and "business ventures," know it to be nothing more nor less than "a game to get something for nothing."

It is definitely stated by those in the business that, "the industries of the American people are now represented by $70,000,000,000 of paper tokens, in certificates of stocks, bonds, etc., which are 'dealt in' on the stock exchanges, and that the purchase and sale of these paper tokens each year represent the employment of more money than all the manufacturing, all the farming, all the transportation business of the American people." It is also stated that the amount of deposited money in banks and trust companies of America furnished those who subsist directly or indirectly on the business of stock gambling is far greater in amount than that employed in the real productive business of America.

Then again, it is stated that, "the amount of money taken each year for the living expenses of those directly and indirectly engaged in the business of stock gambling, not a man of whom is a legitimate producer of anything of value to his fellow-man, is far greater than that taken

by those engaged in managing any ten lines of legitimate business."

In the face of this condition of things what becomes of the test that any right-minded and honest man would apply to his life, asking, What have I returned to the great store-house of the world for all I have taken out of it? Any man who deliberately goes into any business where he tries to get something for nothing is a moral degenerate, call him financier, international banker, cambist, or what not.

The evil effect upon the American people of the accumulation of mammoth private fortunes, through the means of stock gambling and over-capitalization of trust corporations, can be charged directly to the banking system of our country. The moneys deposited in the larger banks, especially in the large cities, which also receive the money of the great life insurance companies, are under the control of a comparatively small number of men who are largely interested in, and control through stock operations, the great industrial corporations that have issued the majority of the stocks and bonds upon which money is now loaned by the national banks and affiliated trust companies, etc., they taking and holding same as collateral to the amount of $7,754,493,769, as will be shown by an examination of the loans of these institutions, a large portion of which are loaned on demand (see Report of the Comptroller of the Currency, 1909, page 5).

Simply to state this condition demonstrates that the business of this country is absolutely under the dominating influence of these financial magnates, and a call for the repayment of loans, in view of the small amount of money

back of them, will produce chaos at once; and the conservative plans and calculations of the producers of real wealth are utterly demoralized, and the people generally subjected to untold loss by a money panic induced solely by these money-lenders, promoters, and speculators in paper tokens of wealth.

As before stated, there are now over $70,000,000,000 of these paper tokens of wealth, which are dealt in on the stock exchanges, the direct result of the present pernicious financial system as managed by the so-called bankers of to-day. It has had the demoralizing effect of turning most of the American people into gamblers. They all want to get rich quick and they think the only respectable short cut to quick and easy money is stock market gambling and promotion of stock issuing and consolidation schemes to fleece the people.

The actual value destroying effect of this gambling by the American people in the rise and fall in the prices of these $70,000,000,000 of paper tokens of wealth, is beyond calculation and is to-day the greatest evil of our moral and industrial being. The promotion of stock gambling by the banking associations and trust combinations has given them absolute control over the volume of money in circulation thereby making business good or bad in order to make money on the rise and fall of prices or to weed out competition by withholding credit from competitors and strengthen thereby their monopolies.

The actual amount of money in circulation to carry on the business of the country is shown to be $2,343,509,-292. The amount of money loaned by the national banks alone is $5,128,882,351 (see Report of the Comptroller

of the Currency for 1909, page 5). A call on outstanding loans of a payment of 5 per cent. or 10 per cent. would mean a demand of 250 to 500 million dollars and would bring on a panic sufficient to drive down prices several billions of dollars, and paralyze the business of the entire country, as happened in the panic of 1907. These banking associations and combinations being in possession of the money, what an opportunity, to be seized by them, to buy up the best things to be had, *e.g.,* the purchase of the Tennessee Iron and Coal Company by the United States Steel Trust.

We know that under recent consolidations and community of interests, the larger loans making up this total are controlled by the banking institutions of the larger cities, and they in turn are absolutely dominated by the financial promoters of the railroads and industrial trust combinations of the country, and as such are responsible for the issuing of more stocks and bonds of a questionable character than the world has ever before known, and on such issues have loaned these enormous sums from their deposit liabilities—the peoples' earnings.

This brings us to the plain and inevitable conclusion that a comparatively small body of men, for all practical purposes, now have control of the money and are able to make, and regulate at their pleasure, the value of the issues of stocks and bonds.

WALL STREET—GOLD MOVEMENT AND MONEY MARKET.

"*New York, November* 7, 1907.—A fresh reminder, if any were needed, of the prevailing state of affairs in the international money markets was had to-day in an advance by the Bank of England of its minimum rate of discount from 6 to 7 per cent. This is the third advance in the bank's discount figures since last Thursday, and the rate fixed to-day is the highest recorded in just thirty-four years.

"MONEY MARKET UNSETTLED.

"It goes without saying that the local money market remained in a very unsettled condition. Renewal rates for standing loans were fixed at 20 to 25 per cent., but most of the borrowing on call was arranged under 20 per cent."

"SIX MONTHS' FAILURES.

"*Total Number for Period,* 8709, *and Liabilities* $124,374,833.

"*New York, July* 3, 1908.—Commercial failures in the United States during the first half of 1908, according to statistics compiled by Dun's Review, are 8,709 in number and $124,374,833 in amount of liabilities."

"*New York, June* 17, 1908.—Another matter to-day affecting the market adversely was a sudden jump in the

volume of engagements of gold for export to the unexpectedly large quantity of $3,250,000, with indications that a sum equally great, if not greater, would be taken at the end of the week.

"The fact is indisputable that Germany and France are still in the world market for the yellow money, and while this continues and rates of money here remain as depressed as they now do, it is altogether probable that gold will go on moving out of the country."

"*New York, March* 14, 1908.—Former Comptroller of the Currency, A. B. Hepburn, now president of the Chase National Bank, after two months' sojourn in Europe gave out the following interview to-day: 'The one thing that most strongly impresses itself upon the mind of a careful observer in Europe, at the present time, is the fact that the continent of Europe does not like the United States. They regard us as bumptious people that ought to be spanked into some sort of decorum, and they would welcome and rejoice in any international complications, not involving themselves, that would bring us into difficulties. We are their commercial and financial rivals. They think, or affect to, that their present financial and commercial difficulties are chargeable to us—their depression is a reflex of ours, *accentuated* by the $100,000,000 of gold which we took during December and January. The balance of trade in favor of the United States, during November, December, and January, was over $300,000,000, and every dollar of gold we took was obtained by commodity bills, and yet they seem to think that Europe loaned it to us as a matter of favor.'"

"*New York, July* 17, 1909.—Great numbers of ambitious promotion schemes are coming to a head which will call for the investment of a vast aggregate sum. And then there must be taken into account the steady drain of gold for export. Just why gold should be going out of the country in anywhere near its present volume is one of the things not easily explained.

"The international trade balance continues to run strongly in our favor, and there is nothing to show that the old world has turned back upon this country any considerable quantities of American stocks and bonds. The reasonable explanation is that our financial institutions are strengthening their credits and increasing their balances abroad. By so doing, they can reduce the visible surplus in the money centres of the United States, thereby creating a deceptive appearance of diminished stocks and still keep available large funds to be drawn against in case of need.

"It is almost as easy these days for international bankers to draw on *foreign balances* as it is on *home deposits.*"

"*New York, October* 21, 1909.—The financial event of to-day and for the present month thus far was the advance in the Bank of England's discount rate, this morning, from 4 to 5 per cent. following upon an advance in the bank's rate last week from 3½ to 4 per cent.

"The Bank of England only managed to maintain its 4 per cent. discount rate last week by large borrowing of funds in the open London market, and must presumably, in order to make its present high rate effective, again

indulge in open market borrowing on an unusually heavy scale. Although the Bank of England to-day managed to issue 155,000 pounds of new gold in the open London market, it shipped 1,000,000 pounds to Turkey, Egypt, and Brazil. It goes without saying, however, that the rise in the English bank rate to-day caused an advance in money rates in every financial quarter, and also led to a further distinct pointing of exchange towards London."

"*New York, February* 8, 1910.—Direct charges are made by stock exchange experts to-day that the pronounced liquidation in the stock market is for the purpose of influencing the administration in Washington and the Supreme Court of the United States in dealing with the trusts cases now pending against the Standard Oil and the Tobacco Trust."

"Colossal Bond Sales Abroad Save Market.

"*But for This Lavish Buying, Gold Had Left Country in Volume to Create Money Panic.*

"*New York, Wall St., March* 18, 1910.—By Boersianer.

"An American house has sold to foreigners since January $50,000,000 of miscellaneous bonds. This experience is only one of many. Firms with European connection practically all report an unprecedented demand for cis-Atlantic coupon securities from Europeans. None of these bond sellers attempt to make even a random estimate of the total amount placed abroad in the last eleven weeks, but it is colossal.

"The inquiry is quite spontaneous—absolutely free of drumming on the part of American houses; in fact, the

enormous sales have been made in spite of the warning attitude of one of finance's leading factors, the National City Bank. The several vice-presidents of that institution are sincerely adjuring caution at home. The president of this bank, who is abroad, is imparting his misgivings to the bank's numerous and powerful European connections."

"*New York, April* 26, 1910.—It is reported that the Bank of England has reduced its bid price for American eagles from 76s. 6d. to 76s. 5d. per ounce, and as this converged the foreign demand for gold for the moment upon gold bars rather than gold coin, it was perhaps significant that sterling exchange rose during the day nearly 20 points, bringing the price of sterling nearer to the point at which these bars could be taken for foreign shipment.

"It was also announced that $2,000,000 gold coin had actually been taken for export to London to-morrow."

"*New York, April* 28, 1910.—Pronounced liquidation seemed to mark the course of this morning's stock market and a tightening of call money added to the weakness as the market progressed from bad to worse.

"During the noon hour the market had an appearance of semi-demoralization. The calling of loans by the banks forced heavy liquidation, and the rapid decline in prices uncovered stop-loss orders and exhausted margins, throwing additional burden on the market."

"*New York, April,* 1910.—The shipment of more than $11,000,000 of gold from this centre has helped the financial situation abroad."

"See Problem for Nation.

"It may be said that in view of the drain of gold from the National Treasury, owing to enormous quantity of bank note redemption being conducted, there are not a few observers who maintain that certain problems of finance are maturing, and will have to be grappled with, that have not previously recurred for a long period."

"*May* 5, 1910.—Another new development of to-day was news that the Southern Railway is concluding terms for the sale of a block of general development bonds, probably about $10,000,000, in Germany. It was also reported that the 'Big Four' is negotiating for a sale of $30,000,000 debentures in Berlin, instead of $10,000,000 as stated yesterday. . . . . William Rockefeller, one of the directors of the St. Paul, said the negotiations for the sale of $50,000,000 St. Paul debentures in Paris were concluded except signing of the papers.

"The American securities either sold abroad or under present negotiations comprise $60,000,000 St. Paul debentures, $40,000,000 Baltimore and Ohio bonds, $10,000,000 New York City warrants, $30,000,000 'Big Four' debentures, $10,000,000 Missouri, Kansas, and Texas bonds of a new issue, and approximately $10,000,000 Southern Railway development bonds. It may be that others under secret negotiations will bring the total up to $200,000,000."

"*New York, July* 9, 1910.—Special Correspondence of *The Star.*

"Not until the market approached dangerously near a state of utter demoralization did the flood of inside stock

stop pouring out, and not until then did the great money combination in Wall Street come to the relief of an overstrained situation. The rescue was effected Wednesday, but even then the big interests made it clearly understood that their heart was not in the movement, and that they only gave the market support at the urgent demands of a frightened stock exchange membership.

" Since the decline of the stock market commenced late last autumn there has been a shrinkage in the market price of railroad and industrial stocks and bonds amounting to between $3,000,000,000 and $4,000,000,000, according to the statisticians who have gone into the mathematics of the case.

" Heavy Selling by Insiders.

" The losses during the early stages of the down movement were due to the inability of the market to absorb the heavy volume of stuff that was sold by insiders, but for the last three or four months the shrinkage is traceable to more definite and specific causes. The frank attitude of the great banking interests became hostile to prices. Leaders in the world of high finance assumed a pose of angry disapproval of what was going on in politics and the courts of the land. They proclaimed from the housetops that the attitude of the administration and of Congress and of the judiciary threatened the stability of property and was an injurious and baleful persecution of railroads and industrials.

" According to their accounts the politicians and the bench were engaged in relentless warfare upon national prosperity and they would have to take measures for self-

protection. These measures took the form of relentless attack upon the value of the properties over which they exercised control. It seemed necessary for them to give the politicians and the country an object lesson. The stock exchange was the stage and the terrific break in values was the lesson."

"Financial Powers Let Market Slide.

"*New York, July* 26, 1910.—Stubborn but huge accounts were at last brought to the sacrificial block, the liquidation felled Missouri Pacific to 41 from 53¾, Rock Island Preferred to 60 from 70, Southern Railway Preferred from 50¼ to 43⅓. The principal figures in finance began liquidating in the latter part of 1909. Since that date when steel common was quoted at 94⅞ represents a shrinkage in market valuation of over $160,000,000, other front rank issues have shrunk proportionately. Leading interests remained coldly indifferent to the conflagration. New York banks emulated the stern passivity *of those higher up.*

"Heavy loans were called east and west early in the day. The stocks had been bought on credit and were perforce relinquished by the narrowing margin—Chicago sold heavily, followed by similar liquidation in New York and London."

"Avert Copper War.

"*J. P. Morgan, in Charge.*

"*July* 23, 1910.—For a year or more the factions tried to get together, but some hitch always came up which blocked the deal, and it was recognized that the whole

scheme might fall down for lack of a leader in whom everybody could place confidence and who could command obedience in case of the stubborn and wilful opposition of any individual or company.

"LOOK TO THE ROTHSCHILDS.

"Some such arrangement has evidently been tentatively reached. From Paris comes word that the Rothschilds will be able to control the copper situation on the other side, and with 75 per cent. of production under one managemet here it would look as though war had been averted and that matters would gradually adjust themselves upon a healthy and permanent basis. It is upon this theory that the speculators have been buying copper stocks in this market for the last two days."

BANKERS OF NEW YORK, ANNUAL DINNER AT WALDORF-ASTORIA. TIME FOR PEOPLE TO MIND THEIR OWN BUSINESS AND LET MONEYED INTERESTS ALONE.

New York, January 17, 1911.—"The hero who was present was J. P. Morgan. Mr. Aldrich and Speaker Cannon were absent. The financiers had things absolutely their own way and they worked the opportunity to the limit. It was frankly the sense of the gathering, as voiced by the speakers and uproariously applauded by the bankers, that the time had come for people to mind their own business and let bankers, corporations, and other moneyed interests alone.

"The Presidents, Vice-presidents, and directors of almost every banking institution in the City of New York were present. It was freely said among the bankers that at

no dinner that has taken place in this city in years has so much real wealth been represented. The only discordant note was when former Governor Frank S. Black, without so much as cracking a smile declared that twenty-five years ago half the men in the room were receiving smaller incomes than the bricklayer gets to-day."

Contrast this picture of the American money system, where the rate of interest and the supply of money changes almost daily with its demoralizing and ruinous effects upon business here, and the low and uniform rates of interest and a never-failing supply of money for commercial and legitimate business afforded the French people as shown in the statement made by the managers of the Bank of France and the Crédit Lyonnais to questions of the National Monetary Commission, 1910.

M. Pallain, Governor of the Bank of France.

Q.—Is the rate of discount at all times the same at the central bank as at all the branches?

A.—Yes.

Q.—Is the rate the same at the bank and the branches for loans on securities?

A.—Yes.

Q.—Does the Bank of France make the same charge for the discount of bills and for loans upon collateral?

A.—The bank usually charges somewhat more for loans upon collateral than for the discount of bills. The rates at present are 3 per cent. and 4 per cent., respectively.

Q.—Do you think that it would perhaps be more advantageous for the Bank of France, considered simply as a bank, to impose different rates under different circumstances and at different places?

A.—As a banking establishment, if we thought it advisable to apply different rates, we could easily become the masters of the market. But in our position of Bank of France, organized to serve the interest of public credit in a democratic country, we do not believe ourselves justified to use this option.

Crédit Lyonnais.

Answer to questions put by the National Monetary Commission, 1910, *to Baron Brincard, administrateur délégué, and other officials of the Crédit Lyonnais.*

Page 222. Q.—Is there any restriction under law or under your by-laws as to loans made to administrators or officers of the bank?

A.—So far as the law is concerned, there is none; but, as a matter of fact, no director or officer would ever apply for a loan.

Page 224. Q.—Will you describe the character of the items constituting your portfolio of bills discounted which amount to about $211,000,000?

Page 225. A.—The bills discounted are commercial or industrial bills, representing normal transactions and bearing satisfactory signatures as drawers, drawees, and endorsers.

Q.—With two names or more?

A.—Always at least two, often three or four signatures; but never only one.

Page 227. Q.—Let us take up the question of discount rates. Do your large banks follow the Bank of France rate?

A.—We have two discount rates in France—that of the Bank of France, which is the official one, and then the rate outside of the Bank of France. At the present moment our discount rate is 1 per cent., the official rate being about 3 per cent.

Q.—Does the Bank of France ever loan below its published rate?

A.—No; it never does.

Q.—What proportion of your portfolio is commercial paper?

A.—It is almost entirely commercial paper. The proportion varies, but it is always very largely commercial paper.

Page 229. Q.—Take a first-class bill and a first-class loan of the same maturity, what would be the difference in the rate?

A.—Generally, at the Bank of France, the rate for loans on collateral is one-half per cent. above the discount rate, but in the private banks there is no rule; they fix the rate according to the condition of the market.

Q.—But in practice it is customary to charge a little higher rate than on prime bills?

A.—Yes.

A.—"*In practice no one has ever complained that the Bank of France would not discount a normal bill presented by a proper person.*"

Rate of interest in Germany, 2¾ to 4 per cent. No interest paid on deposits.

Rate of interest in England 3½ to 4 per cent. No interest paid on deposits by Bank of England.

Contrast this with the burden on money carried by the people of the United States. The following table shows the preliminary charge before the money ever reaches the legitimate borrower. Taken from official Report of the Comptroller of the Currency for 1909:

	Interest paid on deposits.	Rates.
National banks	$756,870,969	3.34 per cent.
State banks	593,551,084	3.71 per cent.
Mutual savings banks	3,138,763,704	3.85 per cent.
Stocks saving bank	495,178,367	3.60 per cent.
Private banks	32,444,592	2.93 per cent.
Loan and trust company	657,697,417	3.43 per cent.
Total	$5,674,506,136	

Average interest 3.55 per cent.

It amounts to an annual tax of $173,339,967.

This is over 10 per cent. on the *actual amount of money in circulation.*

The interest on money to actual borrowers in the United States ranges from 5 to 8 per cent.

The people of the United States should demand a lower rate of interest in order to meet foreign competition, our competitors having the use of money at a much lower rate of interest.

Nothing would add so much to the peace, honesty, and permanent prosperity of our people as a low and uniform rate of interest.

STATEMENTS BEFORE THE BANKING AND CURRENCY COMMITTEE OF THE SIXTIETH CONGRESS.

It is only proper to state that the majority of the members of the Banking and Currency Committee of the Congress are directors of or interested in banks. The composition of the jury has to be considered in the trial of any case.

STATEMENTS MADE BY BANKERS AND FRIENDS OF THE BANKERS BEFORE THE BANKING AND CURRENCY COMMITTEE OF THE CONGRESS WHEN CONSIDERING THE ALDRICH BILL, WHICH AS AMENDED BECAME THE ALDRICH-VREELAND BILL AND HAS BECOME A LAW ENTITLED, "AN ACT TO AMEND THE NATIONAL BANKING LAWS." H. R. 21871.

Mr. Glass. Mr. Forgan's objection to the Aldrich Bill and to your bill was that it accentuated the endless-chain system; in other words, that the Government is required to redeem the notes in gold.

Mr. Vreeland. It says "lawful money."

Mr. Glass. It means gold.

Mr. Vreeland. It means lawful money.

Mr. Glass. Does not that ultimately mean gold?

Mr. Vreeland. That is the theory upon which we are running our Government. Under the law of 1900, let me say, they are redeemed in lawful money. The fact that they can take the lawful money and go and present

it for gold is another proposition. Whenever these notes are presented in large or small amounts, $50,000 or $100,000, the Government guarantees to redeem them in lawful money, but it provides that the banks issuing the notes shall keep a 5 per cent. redemption fund with the Government, and it provides further that immediately upon demand the banks shall make that 5 per cent. good.

Mr. Glass. You say that the $750,000,000 provided for by your bill could be issued in three days?

Mr. Vreeland. I think $500,000,000 could be issued in three days.

Mr. Glass. Would that not facilitate any attempted raid on the gold in the Treasury?

EXTRACT FROM STATEMENT OF MR. C. C. GLOVER, PRESIDENT RIGGS NATIONAL BANK OF WASHINGTON, D. C.:

Mr. Glover. There is no question about it. I have been forty years a banker, and I have passed through all of the panics during that time. We went through a condition here in November, 1907, that you gentlemen could hardly appreciate, unless you were in the banking business. I saw the suspension of the entire business of the United States. The greatest banks in the country could not make the deposit to their 5 per cent. fund. The largest banks in Pittsburg and elsewhere, with millions of capital and surplus, had to apply to people here in Washington to make the most ordinary deposits for them. The banks in New York refused to remit in currency any sum deposited with them. When I wrote to banks there to make deposits on account of the 5 per cent. fund for banks throughout the country, it was positively refused.

Mr. McMorran. Would there not be more necessity for the gold than in ordinary times? The currency would be issued only under an emergency call. Then, during an emergency, in all probability there would be a greater demand for the redemption of that currency in gold than at other times.

Mr. Vreeland. It has not been my observation, Mr. McMorran, that there is more demand for gold in times of panic than there is a demand for any kind of money. In the streets of New York last fall these bank notes sold for a higher premium than gold laid down side by side with them.

Mr. Vreeland. I do not think that I need to answer that question, because I have already given you Mr. Forgan's position, and we all recognize this, that we can not rely upon a committee of bankers to prepare legislation for the American people and accept their advice exclusively any more than we can gather down here a committee of manufacturers and invite them to make tariff schedules which we shall follow exclusively. Every man believes that that which is best for him and best for the institutions with which he is connected must necessarily be best for the whole country. Therefore, I say that while we ought to give attention to the views of the bankers we must remember that their advice is circumscribed by self-interest and the interest of their banks.

Mr. Vreeland. We can import gold from Europe, but that takes time. The effect of that is mostly on the imagination of the public. Crowds of people, as you may remember, would go down to the wharves in New York City and see the steamers that had $5,000,000 or $6,000,-

000 in gold coming in—$5,000,000 or $6,000,000 coming in and $13,000,000,000 of deposits in the country! Yet it was of great value, in that it acted on *the imaginations of the people.*

Mr. Vreeland. I have not studied as extensively, perhaps, as many of you gentlemen have, the reasons for this condition. It strikes me, however, as being a matter worthy of notice that a great commercial country like England, with an expanding business, in ten years has actually less money than at the beginning of that ten-year period.

Mr. Vreeland. Yes; that is true. But after taking these things into consideration it still remains a fact that with our enormous increase in ten years we still find ourselves in a currency famine, and Great Britain, at the end of ten years of expanding business has a large part of $100,000,000 less than she had when that ten-year period started.

Mr. Prince. Could you not explain that in part as being on account of the development and growth of population and business in the United States and Canada as against a completed and finished country like Great Britain?

Mr. Vreeland. No one would dispute for a moment, Mr. Prince, that the expansion and development of business and the need of money in the United States for the past ten years has been enormous and beyond comparison with that of any other country.

Mr. Waldo. That, it seems to me, is the reason,—or is not that the reason, why the accumulation of reserves

in a central reserve city and especially in New York, does not strengthen the financial system?

Mr. Forgan. I think you are wrong there. I think the more they have the stronger they are.

Mr. Waldo. How can it strengthen the financial system if of the 15 per cent., which ought to be kept in the country banks all around, 9 per cent. of it drifts to New York, and at once 75 per cent. of it is loaned, so that when the country banks want it, it is not in existence; they have loaned it out on call or maybe a permanent investment.

Mr. Waldo. Do you not think it would strengthen the reserves if the central reserve banks were forbidden to loan that reserve and be compelled to keep it in the vault? Then I can see how your argument to keep reserves, let them come to the centre, is true. But if they are allowed to loan it, how does it strengthen the reserve?

Mr. Forgan. They do not lend it at all. They do not *lend the gold out;* they keep the gold that is shipped to them as a reserve and on the basis of that they can *expand their credits,* of course, but they can not contract their credits.

Mr. Waldo. That is *just* what makes the *trouble,* is it not?

Mr. Forgan. I know.

Mr. Waldo. It may be, Mr. Forgan, that this whole trouble will be met when you get credit currency; but if we need any such reserve as the statute now provides, we certainly ought to have it and not have what is merely a pretence.

Mr. Forgan. Yes, but you know the *reserve is for*

sentimental effect. It is for creating an *impression on the public mind.* It is for demonstrating the strength of the banks. You have a certain amount of it and you ought to have that certain amount of it where it will be in sight, where the people of the country will see it, and the trouble with us now is this, that in the fall of the year our lawful money which is largely made up of Government notes and greenbacks, is all shipped out into the country and gets into active use and is taken out bodily; the actual reserve, you understand. We have now to ship the actual reserve and every shipment we make reduces our power *to lend by four* times.

Mr. A. B. Hepburn, President of the Chase National Bank, New York City. In his statement before the Banking and Currency Committee of the House of Representatives, April, 1908, Mr. Forgan stated that the banks of St. Louis and Chicago were so much stronger than New York because of their having a demand on New York in addition to their cash reserve. New York has the same credit abroad, and instead of this disappearing, it acts to the credit of the New York banks abroad, and they brought in $100,000,000 of gold and relieved the situation, but they could not bring it quick enough. *It does go down there and is loaned,* but it is loaned where it can be reached in the regular course of business, in season to answer any ordinary business demand.

Mr. Waldo. That is an ordinary year.

Mr. Hepburn. In a crisis like this they could not get it quick enough, but they did get over $100,000,000 of gold in, and every dollar of it came at the *end of a commodity bill; there was not any of it bought.*

The Reserves of These Country Banks Held in New York.

Mr. Waldo. . . . . . As a matter of fact, they do not have it. That is the reason, and it has not, as Mr. Forgan suggested, been accumulated in New York City, because you never got it, and if you did, you have loaned out 75 per cent. of it.

Mr. Hepburn. Nine per cent. of it accumulated in New York City, but there never was a moment during all the experience last year that any bank in the interior could not have settled its New York exchange at a premium, nor *was there a moment that they could not* have gotten an *instrument* there that would have *paid a debt on any place in the world.*

Mr. Clarke, of Baltimore. You have stated that the New York banks imported $100,000,000 or more of gold from Europe last fall? May I ask what was the relative power as to a banker, of that gold in Europe, as compared with what it was when it came to this country, to a banker?

Mr. Hepburn. When in the banks of Europe it was simply to our credit, subject to ordinary checks.

Mr. Clarke. But in the banks of Europe it had a power there by which they issued currency against it. When it came to the United States and was put into the Treasury, what was its power here as compared to what it was there?

Mr. Hepburn. In Germany one dollar of gold would count for three dollars of currency which they could issue without limit.

April 15, 1908. *Mr. Finley Acker,* Chairman of the Banking and Currency Committee of the Trades League of Philadelphia, made the following statement, speaking of the Aldrich Bill:

Before leaving the subject of panics, permit me to ask another question. If $500,000,000 of additional currency were to be floated without requiring the addition of a single dollar in gold or lawful money to protect it, when the Treasury now holds but $150,000,000 in money to protect more than a billion and a half of treasury notes, bank notes, and silver certificates, is it not at least possible that war or other circumstances might arise, which would create a "currency panic" and a raid upon our comparatively small gold reserves, as was done in 1895?

Another practical point of view: Does not a reasonable and uniform rate of interest tend to develop legitimate enterprise by encouraging the employment of loanable capital? And should not the farmer, the cotton grower, and all other actual wealth producers secure the benefit of a reasonable interest rate, as is always assured in France?

But what effect would the Aldrich Bill have upon interest rates? With the loanable funds of the bank seriously curtailed and with a tax upon additional currency of 6 per cent. or 9 per cent., I will allow you to answer the question for yourself.

APRIL 15, 1908.—MR. JAMES B. FORGAN, OF CHICAGO, REPRESENTING THE AMERICAN BANKERS' ASSOCIATION, BEFORE THE COMMITTEE ON BANKING AND CURRENCY.

Mr. Prince. We find in the Aldrich Bill the following language: "Such notes shall state upon their face that

they will be redeemed by the *United States* in *lawful* money upon presentation at the Treasury. This legend shall be *certified* by the *written* or engraved *signature* of the Treasurer and Register and by the *imprint* of the *seal* of the *Treasury.*"

Assume that this bill is in operation and $500,000,000 of circulating notes are issued thereunder and the country is in a panicky condition, what would be the effect upon the Public Treasury if these five hundred millions were presented by banks other than banks of issue, or by the holder of the note not connected with the bank, for redemption in lawful money, which means gold. What would the Government have to do?

Mr. Forgan. The Government under such circumstances would probably go to the limit in disposing of their available funds and would likely not be in a position to meet the demand.

Mr. Prince. There is a way, is there not, Mr. Forgan? They could raise money the same as anybody else does, by issuing their obligations.

The Chairman. They would be driven to raise the money by *issuing of bonds.*

Mr. Prince. To maintain our present gold basis and to maintain our money at a parity.

Mr. Forgan. Yes.

Mr. Prince. Do you think there is now need of emergency currency legislation?

Mr. Forgan. I do not; and I do not think that a condition can ever exist in this country or any other country that will warrant the use or the issue of anything that could bear such an infernal name as "emergency currency."

Mr. Forgan. We increased our circulation $3,000,000, and I am free to say that I used as much of it as I could selling it to State banks, iniquitous as the system is; and we should not be permitted to do it, and the State banks should not take it. It is a bolstering up, a most unwarranted expansion of credits, because it is basing credits on a false reserve. Bank notes are promises to pay, and they can not be reserves for State banks, or anybody else, without a most unwarranted expansion. But expansion at the time was what we wanted, and I am free to say that I exchanged a couple of millions of them for gold as soon as I could lay my hands on them, because you get in a corner and you have got to do anything you can to scramble out, and we were scrambling, because we did not have the proper facilities to come out coolly and collectedly as bankers do in other countries, and we had to do everything we could and take the chance of breaking the law, even though we had to take the chance of being held almost criminally liable. It would not have affected me even if it had been criminal I would have saved the bank and saved my own customers—because by saving the bank I did save the customers—even though it had been a criminal offence.

Extracts from Statement before same Committee by Mr. Alexander Gilbert, President New York Clearing House:

Mr. Gilbert. When we can wisely do so we ought to substitute an asset currency for the present bond-secured currency.

Mr. Crawford. What is the matter with the present system?

Mr. Gilbert. It has not sufficient elasticity.

Mr. Crawford. In 1893 and 1894 the banks reduced their circulation to about $160,000,000, and now they have increased it to $690,000,000.

Mr. Gilbert. Possibly.

Mr. Crawford. Is not that a pretty large margin of elasticity?

Mr. Gilbert. No; I do not think so. Of course the reduction was not what you would call an elastic reduction —that is to say, the circulation was retired because it was not profitable for the banks to keep it out, and they simply retired the circulation and sold their bonds. That was not elasticity. When they did that they had no idea of reissuing that. That is one of the objectionable features of a bond-secured system.

Mr. Crawford. They withdrew their bonds for the purpose of making sale of the bonds?

Mr. Gilbert. They cancelled and retired the currency and withdrew the bonds because there was no profit in the circulation.

Mr. Crawford. That was not in the *interest of the people?*

Mr. Gilbert. No; it was in the interest of the banks; and that is one of the troubles with the system.

Mr. McMorran. In the early part of your remarks you made the statement that you thought the majority of the banks in New York were against the Aldrich Bill. Do you include in that what is known as the Morgan group and the Standard Oil group?

Mr. Gilbert. I would not like to say that I do, and I would not like to say that I do not. I do not know what is the attitude of those larger banks. I am glad you asked that question, for this reason, that the larger banks of the country practically do not represent the commercial banks of the country. The commercial banks are the banks of moderate capital and moderate circumstances.

Mr. James. The purpose of an emergency is to have funds to come to the rescue of the country at a time when it is in need of money, and when there are generally runs on the banks. Would not Section 11 tend to allay the fears of depositors as to the insolvency of banks?

Mr. Vreeland. I would say to my friend from Kentucky that I should be very willing to see incorporated into law an additional safeguard against the officers of institutions borrowing the money of the institutions themselves or loaning it to kindred institutions in which they are interested. In the twenty years during which I have given some attention to the banking business—I was thinking of it the other day—I have not been able to recollect an instance of a failure of a national bank during that time where it did not come from either stealing by the officers or the employees, or through excessive loans by the bank to people or concerns in which they had some interest.

STATEMENT OF HORACE WHITE.

Mr. Prince. You now reside in New York, Mr. White?

Mr. White. Yes, sir; in New York City. I am a retired ex-editor of *The New York Evening Post*, and earlier than that of *The Chicago Tribune*.

Mr. Prince. Are you the author of any works on the money question?

Mr. White. Yes; I am the author of a work called "Money and Banking," published by Ginn & Co., and they have just sent me word that there is a great demand for the work and they want a new edition.

When proposals were made for currency reform some twenty years ago, one of the reasons advanced for it was that with the extinction of the national debt the bond security of the notes would be withdrawn and that the existing system would necessarily come to an end. At that time nobody had conceived the idea of extending a public debt already matured if the Government had the money with which to pay it and stop the interest. Nobody would have dared to propose it, for at that time the national finances were the leading issue in politics and the Democrats were keen to take advantage of every blunder committed by their adversaries. But new political issues arose. The Spanish war came, and following it we had Cuba, the Philippines, Porto Rico, and still later Panama and other things to engross our attention. The public mind was no longer centred on finance. So the men in authority, who ought to have foreseen the coming crisis and made plans for bank circulation on some other basis, extended a large part of the maturing public debt for thirty years, although they had the money in hand or in sight to pay it off and stop the interest.

In preparation for this step Congress passed an act, March 14, 1900, authorizing the Secretary of the Treasury to refund the outstanding debt maturing in 1904, 1907, and 1908 into new bonds to run thirty years, bearing

interest at 2 per cent. per annum. From time immemorial prior to the passage of this act it had been the policy of the Government to pay its interest-bearing debts as soon as possible, in order to avoid unnecessary burdens upon the tax-payers. To this end bonds redeemable at pleasure of the Government after some short period were generally preferred. Thus the 5–20 bonds issued during the war were made redeemable at any time after five years but payable at the end of twenty years. Under this system the Treasury could use its surplus revenues to pay off bonds at par instead of buying them in the market at a premium, and the money would be restored to the channels of business as promptly as though it were deposited in banks. But in the former case the Government would save the interest, and in the latter the banks would reap the benefit.

How this change of policy was carried into effect was shown in the Treasury report for 1904, in the following tabular statement:

	3 per cents.	4 per cents.	5 per cents.	Total.
Amount refunded into 2 per cent. consols of 1930.....	$119,260,000	$351,578,000	$72,071,300	$542,909,960
Interest saved on old bonds to maturity...............	27,283,662	89,852,710	13,050,355	130,186,727
Interest to be paid on new bonds to maturity of old bonds..................	18,189,108	44,926,355	5,220,142	68,335,605
Premium paid for old bonds..	6,239,833	36,432,250	6,872,572	49,544,655
Premium received for new bonds.................	407,606	1,513,778	....	1,939,384
Net profit..................	3,262,327	10,025,883	957,641	14,245,851

In this way the time-honored policy of the Government was reversed, and nearly $550,000,000 of the public debt was put beyond the chance of extinction for nearly a

quarter of a century, except by purchase in the open market. For the privilege of making this swap the Government paid a bonus of nearly $50,000,000 on the old bonds, of which is recovered less than $2,000,000 as premium on the new ones.

The foregoing tabular statement purports to show a net profit on the refunding operation by ignoring the interest (amounting to $257,837,642) on the new bonds after the maturity of the old ones. After deducting the apparent profit shown above ($14,245,851) the loss on the whole transaction is something tremendous, but we can not reduce it to exact figures, because we do not know how much of the extended debt we might have paid off if it had not been thus extended. We do know that a surplus of $240,000,000 was on hand at the beginning of this panic, and that the interest on that amount might have been extinguished some time earlier. We know also that the premium on the maturing bonds would have extinguished itself. In 1881, when Secretary Windom was confronted with maturing debts that had been running at 5 and 6 per cent., and for which Congress had made no provision, he issued a circular to the bond-holders offering to pay them or to continue their bonds at 3½ per cent. during the pleasure of the Government by simply putting a stamp on them to that effect; and the latter alternative was generally accepted by the bond-holders. In this way he and his successors in office were enabled to pay and cancel the debt whenever they had surplus funds and to get rid of their surplus in a rational manner.

The 4 per cent. bonds of 1907 were not all included in the list embraced in the Treasury report quoted above.

A portion were left to run to maturity (July 1, 1907) so that they might be paid if the Government should then have the money in hand. The Government did have the money, but instead of applying it to that purpose \$50,000,000 of bonds were extended for twenty-three years at 2 per cent. interest, and the money which might have been employed in debt paying was deposited in banks. The interest which the Government is thus obligated to pay, and which it might have wholly saved in this instance, was \$23,000,000 literally cast away by a stroke of the pen.

The excuse for this odd kind of financiering was that if the Government's interest-bearing debt were paid there would be a shortage of bonds to be held as security for national bank notes. If that is a good reason for keeping \$240,000,000 of bonds alive when the Government has the money in hand to pay them off, then the same reasoning would justify the selling of new bonds when there is no use for the money which they bring in except to deposit it back in the banks. And that is exactly what the Secretary of the Treasury did last November, but not to so great an extent as he had at first intended. Bank notes originating in this way might properly be called foolscap currency. Leaving out of account the money paid for the bonds and redeposited in the banks (as equal quantities on the opposite sides of an equation cancel each other) it is a case where Uncle Sam gives Mr. B. his note, bearing semi-annual interest, and payable at the end of thirty years and not before, and takes in exchange for it B.'s note, payable without interest at no particular time. What happens at the end of the thirty years? Simply extend the

transaction for another thirty years, unless Uncle Sam has recovered his senses meanwhile. But even this device of extending a debt and continuing needlessly to pay interest on it will not suffice much longer, since population and trade are growing more rapidly than our ingenious financiers can add to the public debt. *Hence the proposal to use other bonds than those of the Government as security for national bank notes.*

The truth is, however, that the requirement of a deposit of bonds as a prerequisite for the issue of bank notes is the fundamental defect which makes our system rigid, inelastic, and non-adjustable to the varying demands of commerce.

The object and aim of bank-note circulation is to substitute credit in place of metallic money for a portion of the exchanges which take place in a given country. Thus there is a saving in the purchase of metal and a further saving in carrying and handling it. The bank note is a product of evolution. The bond-deposit system, since it set at rest all doubts as to the goodness of notes in circulation, received credit for all the benefits derived from the total change. The prime defect of the present system is the requirement that the bank shall purchase its circulating notes by depositing an equal or greater value in the Treasury beforehand. In this way the element of credit is expunged, and the only benefit remaining is the greater convenience in carrying and handling paper instead of metal. After the notes are bought a loss can be avoided by the banker only by keeping them in circulation. He gets only 1½ per cent. interest on his deposited bonds after paying the circulation tax. He could easily get 6

per cent. from an equal amount of capital invested in other ways. Therefore his success depends upon lending his notes and keeping them in circulation. The moment they come back to him they begin to burn his pocket; the profit not merely stops, but it turns into a loss.

For the foregoing reasons our banker will not take out more notes than he thinks he can keep in circulation all or nearly all the time. He will not provide himself with a surplus for harvest time or other emergencies. Such a currency can not be elastic. It will be just as rigid and inelastic when based upon State and municipal bonds as it is now.

SECTION 8 of the bill lessens by one-third the amount of cash now required to be kept by banks in the reserve cities; the other third may be kept in these State, municipal, and colonial bonds. This proviso dangerously weakens the whole banking system, and it implies that town and county bonds are quick assets. In fact there is nothing less marketable in a panic—of more uncertain value. To allow any kind of securities to be used as bank reserves is a contradiction of terms. The word "reserves" in banking parlance always means cash reserves.

The bill provides for two kinds of currency; one secured by United States bonds, the other by State, municipal, and colonial bonds. The latter is termed in popular phrase "emergency currency," and is to be subject to a tax at the rate of 9 per cent. thereafter as long as it remains outstanding, but the tax may be stopped by the issuing bank depositing lawful money or national-bank notes in the Treasury. I see no advantage in opening *a door for emergency circulation with one hand and*

shutting it with the other. The tax is intended to discourage the very thing that the law provides for. Why? To prevent inflation, it is said. *Who is to decide when an emergency exists and when inflation exists?*

Another distinction between the ordinary notes and the proposed emergency notes is that only $9,000,000 of the former can be retired in any month, *whereas the latter can be retired without limit.* Another difference is that the money sent in for retiring the existing notes is turned into the Treasury like ordinary receipts and may be redeposited in the banks immediately, whereas the money deposited for retiring emergency notes must be locked up and kept as a special fund.

Mr. Burton. Is not one of the defects of our system that it is so difficult to contract the currency? Has not that been one of the greatest difficulties for years past with it, to retire redundant currency?

Mr. White. No; I do not think that is so.

Mr. Burton. Under our present system?

Mr. White. Under any system. A banker can not put his notes out. That is all nonsense. He can not do it. He can grant a credit to the depositor, and then the depositor can draw out the notes, if the banker has them and the depositor wants them; but when the notes are no longer wanted they will come back.

Mr. Burton. You do believe in that idea of a redundant currency?

Mr. White. No; I do not. That is all *in the imagination,* I think.

Mr. Burton. It is true, though, is it not, that stock speculation increases whenever——

Mr. White. Yes; but that does not increase on account of the increase of the currency. The currency circulates from hand to hand.

Mr. Burton. You do not trace that to the currency.

Mr. White. That is an *inflation of deposit liabilities.*

The Chairman. I did not get that question and answer.

Mr. Burton. The idea was whether the speculation in stocks arose from redundancy of money or a large amount of bank credits.

Mr. White. You said redundancy of currency. I said I did not think that the speculation in stocks proceeds from that, but from an inflation of deposit liabilities; because if the currency is redundant it will come back for redemption. You can not prevent it.

The Chairman. Supposing they use the currency for reserves, as they are using these notes in the State banks and trust companies; that gives you the basis for your deposit inflation?

Mr. White. That is an illegal act.

The Chairman. But in the State banks and trust companies it is not. The State of New York provides by the act that they passed this year—it was in the act that they showed me when I was in Albany—that they are authorized specifically to use bank notes for reserves, and that is the fact all over the country, that they are using them very largely for their reserves.

Mr. White. That is bad banking, I should say.

The Chairman. Yes; but that would give you the basis for inflation because it would be credit, would it not?

Mr. White. Now, I do not know whether it would

or not. That is, you mean to say that the banks are granting credits to stock speculators?

The Chairman. Or to any customers using bank notes as reserves.

Mr. White. Because they have bank notes as reserves?

The Chairman. Yes. You do not approve of bank notes as reserves?

Mr. White. Oh, not at all.

Mr. Gillespie. Suppose a State bank has gold in its reserves, say five millions. The national bank over here has $5,000,000 of national bank notes. Now, the bank notes are not the basis of deposit liability, and are not reserve money, so that its reserve is held down. Now, suppose it takes the five millions over and exchanges it for five millions of reserve, and then the State bank brings that gold over here to the national bank; then, does not the ability of the national bank increase to inflate and extend its deposit liabilty?

Mr. White. I should say that the legal ability did. But supposing there was no law in regard to legal reserves in this country any more than there is in England or in Canada. Take a case of that kind, and you can answer the question as well yourself as I can.

Mr. Gillespie. I understand that the law makes the difference, but, as a matter of fact, with the law, the national-bank note, through the agency of the State banks, is used to increase the deposit liability of the national banks?

Mr. White. Let us see how that would work out. If there was no requirement of any legal reserve, it would simply mean that bank *A* would give its notes to bank *B* for

$500,000 and then take the gold back. Now, bank *A* owes bank *B* that $500,000. Does that inflate the currency?

The Chairman. No; but bank *B* then makes loans to the extent of four or six times the amount of the bank notes, and if they did not use the bank notes at all for reserves the loans would be that much less. Four times 500 millions is 2 billions, and six times 500 millions is 3 billions. Therefore, by using bank notes to the extent of 500 millions for the reserves in State banks you have increased the credit throughout the country $3,000,000,000.

Mr. White. Then you mean this kind of a swap would promote bad banking?

The Chairman. Certainly; it would be inflation, building one credit on another; and, as you say, using bank notes for reserve is bad banking.

The Chairman. Supposing that you are a national banker in a town, and I am a State banker, and we agree that I shall take your circulation, upon which you can make 1½ per cent., and put it into my reserves and hold it. If I did not have your bank notes I must necessarily have gold.

Mr. White. Yes; you mean you are going to borrow or buy these notes?

The Chairman. I can get the gold just as cheap as I can get your notes, except that there is no profit on the gold and there is a profit on the notes.

Mr. White. I do not understand that.

The Chairman. If you get 1½ per cent. profit on your note circulation that would be just that much above what you would get on gold.

Mr. White. Yes; I understand that.

The Chairman. If you came to me, and I had a State bank, and you said, "Mr. Fowler, if you will hold my notes I will divide this $1\frac{1}{2}$ per cent. with you, and I will take three-fourths of 1 per cent. and you will take three-fourths, if you will hold the notes in your reserves," the result of that would be that instead of my buying gold and making nothing on it I would take your bank notes and make thereby three-fourths of 1 per cent.; and that is being carried on to-day throughout the United States. Now, if it should turn out that half of all the reserves of the United States were bank notes, held by the State banks because it was profitable for them to hold them, they participating in the gross profit with the national banks, the result would be that half of all the required reserve in gold would be driven out of the country, it having been supplanted by bank credit upon which there was a profit of $1\frac{1}{2}$ per cent. Is not that true?

Mr. White. I do not think so. You say "driven out of the country." I do not understand this driving gold out of the country. I do not understand it.

The Chairman. Well, I will stop short of driving it out. I will say driving it out of the reserves, and therefore it would be bought for other markets, would it not?

Mr. White. Yes.

As it will be seen from the statements quoted from the bankers that they treat the subject entirely from their own stand-point, I desire to print in this connection the remarks made at the same time by the author, from the stand-point of the people, before the Committee of Congress on Banking and Currency.

Statement of Mr. T. C. Daniel, of Virginia.

The Chairman. Where are you from, Mr. Daniel?

Mr. Daniel. I am from Virginia. I will first state to the committee that I am not interested——

The Chairman. You had a good bank at one time, before the war?

Mr. Daniel. I have watched the currency question, or the money question, I would say, for twenty years, with a good deal of interest; and, after reading pretty much everything that everybody else had said on the subject, I felt it rather my duty to come here and make a few contributions to the educational fund myself. Before doing so, I will say that I travelled a good deal summer before last in England, Ireland, and Scotland. When I was in London I interviewed the Bank of England, and I also made investigations in France; and recently I have returned from a trip through Italy. Having had practical experience for many years in mercantile life in this country, I was investigating conditions there, to see, by comparison, whether we could profitably imitate anything that they have in the way of a banking system. But, since travelling around those countries I realize that the best civilization the world has ever known, and the best government the world has ever known, are right here in the United States. And the responsibility of the best civilization in the world rests upon the representatives of the people in the Congress of the United States.

Now, when going through the Bank of England I presented a letter which I had from Secretary Hay, and the official of the bank was very polite. He took me

through the bank, and when we got back into the reception room I asked him if he would allow me to put a few leading questions to him. He said he would, and I asked him if he could give me a statement of the Bank of England. "We do not issue any statements." "Does not the House of Parliament sometimes call on you for some statement as to the condition of the bank?" "No, sir; they do not call on us." "How do you regulate this whole business? Is it a close corporation?" "Well, the stockholders get their dividends periodically, and that is all they have to do with it." "How is it that some of these revolutionists, so called, do not get up in the House of Commons and raise the devil to know something about what is going on down here? That would be the condition in our country." "Oh, most of them are very large borrowers from the bank, and we do not have any difficulty with them." (Laughter.)

I tell you, with my experience and observation of twenty years, there is a whole volume in that. Through the ramification of credit, thousands and thousands of the best minds in this country are subservient. You can not find to-day five men out of a thousand who would come up here and express their disinterested opinion. Why? Because they are borrowers.

Now, we come down to comparing this country with other countries of the world, and I can not see any reason why a country that has $117,000,000,000 of national wealth, and is creating about $3,400,000,000 of national wealth a year, and which has $25,000,000,000 of internal commerce, should ever defer to any other country in regard to establishing a money system. What has impressed me

in this whole question is this: the Bankers' Association for several years has been meeting around the United States, and I suppose there is not a section of the world where men have not been trying to formulate something definite; but the great difficulty seems to be that they do not locate on a firm foundation; they do not get correct premises, and consequently there is no logical conclusion reached.

The money panic of 1907 has brought the issue at last squarely before the American people. It is no longer to be hidden in sophistry. The old catch phrases of *fiat, ratio, parity,* and *bimetallism versus the gold standard* will no longer mystify the average intelligence of the American citizen. They are up against a *money famine* in the most prosperous conditions the country has ever known.

Giving additional privileges, in the shape of class legislation of the worst kind, to an obsolete national banking system, whose creation was only justified by the losses attendant upon a great civil war, will never be tolerated as being in the interest of the people.

These banking corporations ever since they made large fortunes out of the war debt have been before Congress asking valuable concessions in order to perpetuate their existence.

Unfortunately the United States Treasury Department has become a training-school for presidents and vice-presidents of national banks; and unless something is done to protect the people they will be so merged as to be practically in the same business. The maxim of the money lenders of the Old World will then be in operation: "Let

us control the money of a country and we care not who makes its laws."

This being the case, it is about time the American people who have created and own $117,304,211,917 of the wealth of this country should be heard. This question is of such vital importance to them that it throws into insignificance any legislation that simply deals with how the banks are to loan out $2,876,368,096 in the currency system.

We find in the Report of the Comptroller of the Currency at page 48:

"Of the total stock of money in the country 11 per cent. is held in the Treasury as assets, 35.51 per cent. is in reporting banks, and 53.49 per cent. elsewhere, the per capita not in the Treasury or banks in 1907 being $19.36 or $1.03 less than in 1906."

The Chairman. Will you repeat that last statement?

Mr. Daniel. "The per capita not in the Treasury or banks in 1907 being $19.36 or $1.03 less than in 1906."

The Chairman. What do you mean by saying "not in the banks"?

Mr. Daniel. I mean in circulation. The rest is impounded in the reserves of the banks and in the Treasury Department.

The Chairman. You do not mean by that the deposits?

Mr. Daniel. Well, it is a very plain statement from the Comptroller of the Currency. I do not want to alter his language.

The Chairman. But I thought that as you used the expression you might define it.

Mr. Daniel. I can define it from being perfectly

familiar with it. This is the actual amount of money that is doing the work, or the money in circulation in the country.

Mr. Crawford. You speak of the actual money and not of the deposits?

Mr. Daniel. Yes. In other words, only $1,679,853,760 is in circulation and doing the work of money.

The question is now asked by over 86,000,000 people in this country, with no uncertain sound, How is the Congress of the United States, to whom we have delegated the authority, going to supply this need of a permanent addition of real money to our currency system? No other power has a right to obligate the people, no other power can issue a perfect money unit, a legal-tender dollar, the ultimate of payment. The money issued by the authority of Congress under the Constitution of the United States, exercising its sovereign power, derived from the 86,666,000 people of this country, is not only redeemable in everything owned by them, but a legal-tender for all debts, public and private, estimated at many billions.

It is only necessary to realize the above facts to see how essentially the people are interested in the money question. It directly and individually affects every citizen, from the lowest to the highest, every dollar representing the plighted faith of the poorest and the richest, one to accept it for his property and debts due him, the other for his daily toil.

This being the case, and the inventory of the national wealth of the people of the United States being taken, I ask if any country or people can issue as good a dollar or money unit, with as much back of it, as the Congress

of the United States can, having full power under the Constitution to obligate the entire national wealth of $117,304,211,917 for its redemption, as well as the life-work and services of the population of 86,666,000 of the most robust, enterprising, and productive people known to civilization, their homes and property being in a country described by Gladstone "as having the natural base of the greatest continuing empire the world has ever known," and producing everything necessary to the human family.

Now, I have a summary here of the gold coin and bullion imported and exported in the years ended June 30, 1900 to 1906.

Gold Coin and Bullion Imported and Exported Years Ended June 30, 1900 to 1906.

	Imported.	Exported.
1900	$44,573,184	$48,266,759
1901	66,051,187	53,185,177
1902	52,021,254	48,568,950
1903	44,982,027	47,090,595
1904	99,955,368	81,459,986
1905	53,648,961	92,594,024
1906	96,221,730	38,593,591

Gold Production, United States, for Years as Follows:

1900	$79,171,000
1901	78,666,600
1902	80,000.000
1903	73,591,700
1904	80,464,700
1905	88,180,700
1906	94,373,800

This table will show that gold, so far as international exchange or trade is concerned, takes care of itself, as the difference between imports and exports is only $47,-

694,629 covering a period of seven years, and the United States produced during this time \$574,448,500, or annually \$82,064,071.

Now, look at this contrast. During this time the national wealth of the United Sttates has increased over \$28,000,000,000, as shown by the report of the Department of Commerce and Labor for 1907:

"It is the total quantity of money in circulation in any country which determines what portion of that quantity shall exchange for a certain portion of the goods or commodities of that country. It is the proportion between the circulating money and the commodities in the market which determines the price."

The Chairman. Mr. Daniel, I would like to say this: We have \$34 per capita, and Canada has \$19 per capita. Is there that much difference in the price of commodities in the two countries?

Mr. Daniel. But you have not that much here. It is tied up. Only \$19.36 is in circulation.

The Chairman. But Canada has not got \$19 among the people. Canada's total circulation, all they have out, is only \$19 per capita, and that includes their reserves, and what is in the treasury of the Dominion, and all. I think they have \$10 or \$15 in circulation up in Canada, and we have \$20. How do you account for the prices across the line up here being the same?

Mr. Daniel. If you will make a memorandum of that, I will come back to it.

The Chairman. I would like to ask another question, and you can answer them both at the same time. In Belgium they have about \$9 per capita and in France \$35.

Mr. Daniel. France has $40.

Mr. Chairman. That is so much the better.

Mr. Daniel. I am familiar with all those facts.

The Chairman. I just wanted to call your attention to that.

Mr. McKinney. In Alaska they have a circulation equal to that in the rest of the country, and the prices there are tremendous.

Mr. Daniel. A simple statement of fact is enough to show that the gold in our money system is no longer the standard by which the tremendous wealth of the country is measured. The so-called gold standard is a mere fiction of the mind, a pretext for banking systems, to issue credit money on.

The following paragraph from the report of the Secretary of Agriculture suggests a comparison:

"The grand total for 1907 is $7,412,000,000. This is $657,000,000 above the value of 1906. During the last nine years wealth was created on farms in the United States to the fabulous amount of $53,000,000,000."

This would buy the whole stock of gold in the monetary systems of the world, December 31, 1906, as estimated by the Director of the Mint, as follows:

In banks and public treasuries	$3,764,900,000
In circulation	3,124,000,000

It will be seen that the value of one year's products of agriculture, $7,412,000,000, in the United States, is more than all the gold money of the world.

The gold outside of the currency system has no effect upon the value of other property, and therefore should not be considered.

The value of money in any country is determined by the amount existing. That commodities should rise or fall in price in proportion to the increase or diminution of money I assume as a fact that is incontrovertible.

This economic truth is now so plain that he who runs may read. What then becomes of this mere fiction of the mind, that gold is the standard of value of other things in this country? In other words, how can only $1,489,-742,845 of gold in our currency system, containing $2,876,368,696, constitute the standard of values? Any one with ordinary intelligence knows that if you were to retire the other kinds of currency in our present monetary system prices of all other kinds of property would experience a tremendous fall.

The relative importance of the value of gold and the value of other property is as follows: Total value of gold money in the United States November 1, 1907, $1,489,-742,845. Value of other property, $117,304,211,917. Annual average production of gold in the United States, $83,000,000. Annual average production of value of other property, $3,400,000,000.

Page 89, Report of the Director of the Mint: "The coinage of gold of the mints of the world, outside of the United States, from 1900 to 1906, when figured out, averaged only $211,312,448 a year."

The balance of trade due the United States by the outside world in 1907 amounts to $446,489,653, which would buy their total coinage of gold and leave them still in debt to us $235,177,205 a year.

To show the relative importance of our internal commerce and our foreign trade, I would call especial atten-

tion to a report from the Department of Commerce and Labor, dated December 14, 1907, as follows:

Internal commerce, United States, 1907 (estimated)	$25,000,000,000
Domestic exports, fiscal year ending June 30, 1907..	1,854,000,000

The above comparison is made to clarify this subject, as our statesmen and business men have attached so much importance to this international trade or foreign commerce idea that they seem to think the whole American system must be made to conform to it. It is a case of looking so hard at the fly on the barn door that we can not see the barn door, or of the tail wagging the dog.

To emphasize this fact, compare the relative positions financially of these countries and the United States, and ask which should *dominate the future money system of the world.*

1904–5.	Population.	National debt.	Per capita debt.
Great Britain	43,217,687	$6,196,038,685	$139.52
France	38,961,950	6,963,953,193	172.48
Italy	33,476,120	2,490,955,026	79.93

Page 218, Special Report of the Census, 1907:

"Measured by national wealth, or the ability to raise revenue, the public debt of the United States is only 27.1 per cent. of that of Great Britain, 20 per cent. of that of France, and 16.4 per cent. of that of Italy."

Page 2, Statistical Record, Department of Commerce and Labor:

1904, national wealth of United States $107,104,211,917

Page 33, Special Report Census:

Estimated increase to 1907............	$10,200,000,000
Total to 1907....................	$117,304,211,917
1907, internal commerce annually...	25,000,000,000

United States.	Population.	National debt.	Per capita debt.
1907..................................	85,593,303	$878,596,755.03	$10.26

We find the following statement on page 33, Special Report of the Census, 1907:

"Without financial panics or other disturbing factors, the figures reviewed would indicate that the census estimate for 1910, if taken on substantially the same basis as the estimate from 1890–1900, will show an annual average per capita accumulation of wealth from 1904 to 1910 of not far from $40."

This would amount to $3,400,000,000 annually.

The tax-payers and those producing this wealth would like their representatives in Congress, to whom they pay annually an aggregate of $3,585,000 for their services, to study this statement and give them an American money system made up of real dollars as authorized by the Constitution, regardless of any other country on earth, and not in the interest of short-sighted banking associations who desire to handle the money of the country and control it as far as possible in order to make the most money out of it for themselves. I hardly think their best friends would call them philanthropists, running banks in the interest of the people.

On the other hand, Congress is paid by the people to

look after their interests and not the interests of banking associations. Thus the question becomes an individual responsibility upon every representative of the people in Congress, and not a matter to be settled by a few men on the Finance Committee of the Senate in consultation with banking associations.

What the people expect of Congress is a permanent increase of full legal-tender dollars to sustain $117,304,211,917 of national wealth produced by them, and to carry on $25,000,000,000 of internal commerce. They fully realize that a crazy-quilt currency made up of $1,489,742,845 of gold, and only $574,459,086 of that in circulation as real money, and the balance of $1,386,625,851 in outstanding obligations redeemable in gold, can no longer support the tremendous development of this country. It is a condition and not a theory that now confronts the owners and producers of wealth in this country, and the dominant party that shirks the issue will be held responsible for the results.

To demonstrate the actual necessity of this, the following conditions are set forth: The total amount of money of all kinds in the currency system of the United States November 1, 1907, was $2,876,368,696, a little over 2 per cent. of the national wealth of $117,304,211,917, the value of which it is expected to measure and sustain as well as carry on $25,000,000,000 of internal commerce, and, in addition, measure and support the value of the immense issues of bonds and stocks of the corporations of the United States. Those under the head of "Industrials" alone, listed on the New York Stock Exchange, and not including railroads, amount to over $8,000,200,941.

Those issued on the steam railroads are estimated at $14,765,178,704, making a total of $22,966,119,704. This does not include the innumerable corporations issuing bonds and stocks throughout the United States. In addition to the above, we have the following demands upon this stock of money from the depositors of same in national banks, trust companies, and savings banks in the United States, as per last report of the Comptroller of the Currency for 1907, amounting to $13,099,635,348. This does not include deposits in building and loan associations.

It would be easier for a sensible man to believe all the tales of the Arabian Nights than to think that $2,869,074,255 of money (and by construction of the Secretary of the Treasury, about one-half of that only promises to pay another kind of money) can any longer carry on the business of this country and sustain values.

Based upon the $40 per capita of France, a country that has not half the need, demand, or wealth to redeem her money in as the United States, yet the only country in the world free of panics, we should have based upon our present population, December 1, 1907 (86,666,000), $3,466,640,000, or an increase of $590,271,304 in our currency system.

The tax-payers now ask their representatives in Congress to get together and give them a plain square deal on this money question stripped of all its sophistry, and to settle it right and allow the legitimate business of the country to go on uninterrupted by speculations in stocks and bonds by the non-producers in the stock exchanges, in conjunction with the banks in the large cities.

The power to create money rests entirely with Con-

gress as placed there by the people, and if the people are responsible for these dollars they want them issued direct, as perfect money units, and not indirectly as promises to pay through banking associations with the right to retire them whenever they find it profitable to do so.

After the present painful experience they are opposed to having this power to issue currency turned over to any system controlled by money lenders and capable of being used as an India-rubber money, under the attractive title of an elastic currency. (Laughter.)

This country has not stopped growing nor has it exhausted its boundless resources. What the people want is more money permanently in the currency system, to be steadily increased as wealth accumulates and the population increases, and not an emergency, elastic, or champagne circulation to bring about a tipsy prosperity, so enjoyed by frenzied financiers, who make fortunes on paper and add nothing to the national wealth, yet coming to a sudden end at any time and absolutely stopping the progress and prosperity of the whole country (now adding to its wealth $3,400,000,000 a year).

In opposition we have men, calling themselves statesmen, hiding their assumed ignorance behind such expressions as "We must not issue 'fiat money'"—a term without meaning when applied to the material question of an American dollar issued by the sovereign power of the United States with $117,304,211,917 of national wealth owned by the people, who are adding to the same at the rate of $3,400,000,000 a year, and doing $25,000,000,000 worth of internal commerce annually, pledged to redeem them, every dollar being a universal order on all

things on sale, all services for hire, and the ultimate of payment for all the debts in the United States. Is there a sensible man in this the twentieth century who will stand up in the American Congress and say that he would rather have a promise to pay a dollar issued by a bank, secured upon a segregated asset of a corporation, called a bond, than a full legal-tender dollar redeemable in all the property of the people of the United States? If a full legal-tender American dollar is called "fiat money," by a parity of reasoning, the same statesman would call a United States Government bond a fiat creation, although both have squarely back of them all the assets of the United States and the plighted faith of the American people. Any man calling himself a statesman who can not rise above politics on such a vital question, but who resorts to sophistry and subterfuge, would properly belong to the class characterized by Adam Smith, "That insidious and crafty animal, vulgarly called a statesman, or politician, whose councils are directed by the momentary fluctuations of affairs;" or described by Buckle, "Such men are at best only the creatures of the age, never its creators; their measures are the result of social progress, not the cause of it."

Mr. Weeks. It was suggested that it was desirable to hear from men of all classes on this question—not bankers alone, but other business men—and I would like to ask Mr. Daniel what his business is?

Mr. Daniel. If you will allow me to be a little personal, I will say that I started out, after the war, from Fredericksburg, Va. I lived in New York for quite a time and also travelled as general salesman for one of

the largest commercial houses there—Tefft, Weller & Co. —who did a business of $15,000,000 a year. In looking over the situation, always keeping this money question before me, I came to the conclusion that the best way to make money was to buy some cheap property near the capital of the United States and let its growth enhance its value. For about twenty years I have been in Washington, and I have now arrived at a point where the increase in the value of my property is sufficient to enable me to pay some attention to the interests of the people at large.

Mr. Weeks. You are a capitalist, then?

Mr. Daniel. I do not claim to be a capitalist because I do not want to arrogate to myself any of the qualities that go along with that position.

Mr. Weeks. You belong to the leisure class of the United States?

Mr. Daniel. No, sir; I am in the real estate business, and I have been, and am right now, in touch with pretty much everything that is going on.

That is all I have to say. I have no interest in this matter beyond the fact that there are 86,000,000 people in this country who have a great deal of property and who are working very hard for it, and they have built up a civilization. They have more wealth than all the rest of the world practically put together, and it is time that they should have something to say about the question. I am simply presenting a brief in their interest.

Mr. Crawford. Your suggestion is to increase the circulating medium by the issue of legal-tender greenbacks?

Mr. Daniel. I have stated it plainly. We want real money. Do not disturb present conditions, but put more real money in circulation.

The Chairman. What do you mean by real money—United States notes?

Mr. Daniel. I mean the actual money.

The Chairman. United States notes?

Mr. Daniel. It cannot be anything else. Under the Constitution of the United States you can only issue one kind.

Mr. Crawford. Do you think, with a gold reserve in the Treasury amounting to a total of three hundred and forty-six millions, that it would stay at par?

Mr. Daniel. It would have no effect on it at all.

Mr. Gillespie. Do you mean to issue United States notes, making them irredeemable, or redeemable in gold, or how?

Mr. Daniel. When you put out a perfect circulation unit in the country, it is not supposed to be a thing that is retired. It circulates and stays out.

Mr. Gillespie. I wanted to know if that was your idea—the issuing of irredeemable paper money by the Government?

Mr. Daniel. Not irredeemable money, but redeemable in everything, backed by the national assets of the Government and people.

Mr. Gillespie. But if it is not redeemable, why have assets back of it?

Mr. Daniel. For instance, when the Congress of the United States, representing the American people, issues a dollar, it is by my consent that I take it in payment for

any property I have or in payment for any service I render, and it is a thing that the American people accept and agree to redeem not only now, but for all time. That is a perfect money unit.

Mr. Waldo. You have got to have it redeemable in gold, though.

Mr. Daniel. Not redeemable in *any one thing, but everything.*

Mr. Waldo. I mean to do business with any other country on a gold basis.

Mr. Daniel. We do not need that. We have only had a difference of about forty-seven millions in seven years in exports and imports of gold.

Mr. Waldo. But you have got to fix that some way, have you not?

Mr. Daniel. I am glad you have asked that question. When I was in England I went down, for instance, to the Morgan bank, and I handed in a $100 American silver certificate or Treasury note, and I got a premium on it—something like $1.50 or $1.75. I went over to Belfast and bought $175 worth of linen there. I handed my money into the bank at Belfast and got a premium on it. Last summer I was over in Italy, and they are crazy after American money. They will tell you it is the best money in the world. They do not question it for an instant. Why, the influence of this country to-day is the most potential in the world, as demonstrated by the fact that they are paying us a premium on money right along without regard to whether it is gold or silver. Why do they need it? They need $446,000,000 of it to settle the balance of trade with us every year. They

need it to pay for $1,854,000,000 of stuff—necessaries of life, most of it. They can not get along without it.

I stopped off at the Straits of Gibralter and got all my foreign money changed into American money, and of course to get American money I had to sacrifice quite a discount. The follow gave me a whole lot of nickels. A party got on at Gibralter with a lot of grapes. Two or three Spaniards were standing around, and I took out five of these nickels and handed them out for the grapes. This fellow looked at it for a while and turned around to his partner and said, "What about that?" The fellow said, "That is American money; the best money in the world."

That is the universal thought. Why? Because we have $117,000,000,000 of national wealth, with the best things in God's world to reinvest the money in. Railroad bonds and everything are here to redeem it in this country; as good as can be found anywhere.

Mr. Weeks. Did you say you were paid a premium on American money?

Mr. Daniel. Yes.

Mr. Weeks. Where?

Mr. Daniel. In London and in Belfast.

Mr. Weeks. Who paid it?

Mr. Daniel. Bank of Belfast, in Belfast, and the Morgan bank paid it in London.

Mr. Weeks. How much premium were you paid?

Mr. Daniel. I think I got 6 shillings on the $100. That was about $1 and 50c.

Mr. Weeks. Was that in gold or bank notes?

Mr. Daniel. Both. Most of it was gold.

Mr. Weeks. The payment was made indiscriminately?

Mr. Daniel. Yes.

Mr. Weeks. And a premium was paid on it?

Mr. Daniel. Yes.

The Chairman. In London?

Mr. Daniel. In London. I tell you it is a fact that there is some exaggeration about that idea of gold being the necessary thing. It took me a long time to reach this conclusion. I was timid for four or five years about taking this position, but I find that I can not, as a sensible man, take any other position.

The United States Government should kindly request the banking corporations to cease to occupy the middle of the economic or business stage of this country. The power to issue money is a sovereign function of government and through money the value of trade, commerce, and property is regulated. It is therefore of the first importance that banking corporations should be confined to their legitimate business as lenders of money owned by their depositors and not be allowed *to control the measuring medium of property.*

The Constitution of the United States does not contemplate the Government going into the banking business to loan money to individuals or corporations, or that the banks should ever go into the governing business by issuing or controlling the supply of money and regulating the affairs of the country. It is plain from the action of the banks in the panic of October, 1907, that they need no guardian to look after their interest. They simply stopped paying their depositors, issued them clearing house certificates and scrip, held and hoarded all the money of

any kind they could obtain. They ceased to make loans, but demanded money on the loans outstanding, and asked larger curtails on negotiable notes with renewals for only thirty days and increased the rate of interest on call and time loans, the effect being to instantaneously stop the progress of business, causing infinite distress and irreparable loss throughout the country. Thus the magnificent procession of business is stopped, its step reversed, depression takes the place of prosperity.

Not being able to use the old excuse of the country being overstocked, as the cause of this panic, the wiseacre economists, getting their wisdom from the superficial financiers, say we have overtraded. The fact is well known that the demand for everything, as well as money, is beyond the supply. Such a prosperous condition in the country generally is the underlying reason for the people standing the strain as well as they have.

In the meantime money goes up in value, causing a great depression in the value of other property, thus putting those in possession of money in position to take advantage of the misfortune of others. It is an open secret that the funds of most of the banks in the large cities are controlled by inside rings, composed of officers of the banks, who farm out the money to the best advantage to themselves as well as that of the banks. While the hoarding process goes on the little interest lost in dividends to the stockholders does not amount to a drop in the bucket compared to the immense profits made by these man out of forced sales that they take advantage of.

The effect of this fall of prices upon the whole country is a hundred per cent. worse than the immediate loss.

It is human nature to hold on to the thing that is going up in value—money—and let go of the things that are consequently going down; this intensifies the situation, making the inadequate supply of money that causes the panic scarcer still.

Superficial observers complain during this condition that the people are hoarding their money. As a matter of fact, in the *present panic* the Comptroller of the Currency in his *last* report states that the banks are doing most of the hoarding.

There never was a panic that hurt the owners or controllers of money; such conditions are a harvest for them and offer a premium on money (and meanness). The only cure for this condition is an adequate addition of money—so as to arrest the general fall of prices; as soon as this is done money will seek employment.

If the business of a country develops and commodities increase, and the amount of money remains the same, it is contraction in the worst form, because to take care of the increase of property and wealth a credit system of promises to pay, checks, etc., is built up so high that it is obliged to break down for the want of a broader foundation or more money to sustain it.

The United States should steadily increase in business and wealth, as its resources are practically unlimited and supply everything necessary to the human family. It can, therefore, be stated as an economic fact that a scarcity of money in such a country will always cause panics, while a sufficient amount of money to keep pace with its growth, increase of wealth and population will bring prosperity that will continue indefinitely.

If purchasing power were commensurate with the productive power of the people of this country we would have a continuous prosperity and an increase of national wealth that would be the admiration of the world. As it is, purchasing power can only be obtained through the command of money or its representatives. As long as this money consists only of a scarce commodity, in itself absolutely inadequate to perform the service expected of it, the break between productive power and purchasing power can not be filled up.

Jonathan Duncan recognized the real nature of such a crisis. "We have shown that in the natural state of things production can never exceed consumption, and that what is called overtrading in goods really means the underproduction of money. It means that more commodities are brought to market than can be distributed, not because people do not want them, but because the instrument of distribution is incommensurate. If the wharves of a maritime port were choked up with goods which another country desired to possess, as, for instance, corn at New York needed in England, but that there were insufficiency of ships to freight the corn to London or Liverpool, it would be very illogical to say that the Americans had overtraded in the production of corn; the case would be one of underproduction of vessels, manifesting the absence of the instrument of distribution.

"A railway station further illustrates the argument. If there were more passengers than the train could carry, the directors, looking to their own interest, would not insist that the passengers were excessive, and complain of overtravelling, but decide that the means of conveyance

was inadequate, and at once increase the number of cars and locomotives. The question, then, amounts to this: Would there be any glut of produce if money were permitted to increase as fast as produce increased? But we may certainly answer this question in the negative, and the answer subverts the whole of Mr. Lloyd's theory. Whence arise the convulsion, pressure, and stagnation which Mr. Lloyd pronounces inevitable, and as certain to recur periodically in established cycles? Surely not from the reluctance of hungry people to consume food, or from the refusal of people in rags to wear warm and decent clothing; yet we are told all the evil proceeds from the fact of those very people having been too industrious; they have overtraded, they have created too much, and the penalty is famine and nakedness. Under this theory, the condition of the productive classes is truly pitiable; if idle, they are treated as rogues and vagabonds; if industrious, they are deprived of bread."

We speak of overproduction of clothing in a world in which millions have not half as much clothing as they need.

"Too many shirts? Well, that is a novelty in this intemperate earth, with nine hundred millions of bare backs," says Carlyle.

This panic has given the financial rigors to all the bankers; they realize that with only $2,876,368,696 in the currency system of this country and only $1,679,853,760 in actual circulation they had to take care of over $13,099,635,348 owed to their depositors and at the same time provide the money necessary to carry on $25,000,000,000 worth of internal commerce. It is safe to say that if the country had not been in a prosperous condition,

and the American people in a pleasant frame of mind, half the banking institutions in the country would have been closed or in bankruptcy caused by an angry and outraged people demanding their money.

Let this occur again under different conditions and a general panic seize the people; it will spread like wildfire through those having on deposit $13,099,635,348 in the banking and saving corporations of the country, and if one-fifth of them get their money it will exhaust every dollar in the whole currency system of the United States, or one-twelfth will take every dollar in actual circulation.

After the lesson of this panic, which caused an exposé of the utter inadequacy of money to meet demands, it will not be wise for the representatives of the people to deal longer with makeshifts while such serious conditions confront the people at large.

As we are living under a written constitution, and the will of the people is the supreme law of the land, in contradistinction to all other forms of government, it is useless to copy or imitate banking or currency systems of any other country. If it were not out of place, it could be shown that the money lenders and banking systems of the old world have caused more poverty and prolonged suffering among the people than war. I have visited these countries in recent years and studied their conditions from a financial and economic stand-point, and will say we want none of their banking systems imported into this country. Their money systems mean the increasing domination of capital over labor, and the enhancement of the value of money.

The great oversight made by the bankers of this

country is the tremendous advantage the United States has over the rest of the world in its resources and productive capacity. In cultivating a foreign market for the sale of stocks and bonds they have lost sight of the fact that if we had an adequate amount of money in our currency system, the handling of same by them in developing the tremendous resources of this country would make legitimate banking more profitable than ever before, and create among the people a better market for bonds and stocks than can be found abroad, and the interest on these American securities would be kept at home and deposited in American banking associations.

The American Constitution is the nearest realization in the concrete of the principles of eternal justice ever applied to human government, and this money question should be made to square with the Constitution in the interest of the American people. Banking associations and money lenders should be a secondary consideration. From the days of Aristotle to the present hour all intelligent thinkers on the subject know that money is a creation of law. The vital question now is one of more money to keep pace with the immense growth and development of the country. Therefore it is useless to try to settle this question by discussing it from the premises of banks and promises to pay issued by and controlled by banking associations.

Banks are organized by individuals to handle and loan the money of depositors, not to create money; this is an act of sovereignty, a function of government.

With this fundamental principle of our form of government recognized, as it must be, a sufficient amount of

full legal-tender dollars, the best money in the world, can be supplied with mathematical precision to our monetary system. At a great expense our Government has established the Census Bureau, Department of Commerce and Labor, Bureau of Corporations, Interstate Commerce Commission, etc. These departments, in connection with the Secretary of the United States Treasury, Comptroller of the Currency, and Director of the Mint, can supply all necessary data upon which sufficient addition of money can be supplied and regulated on a percentage basis by the Congress of the United States, according to the increase of wealth, business, and population. Thus the most perfect monetary system could be established ever known to the human family, as it would be in the interest of the whole people, and at the same time a fair standard of value between buyer and seller, and preserve the equity of time contracts between debtor and creditor.

Mr. Chairman, before closing my argument in regard to the questions asked at a previous hearing as to the redemption of the full legal-tender American dollar, a simple illustration may best explain it. A has a hundred-dollar legal-tender note. B has a horse, which A values at $100, and he closes the purchase; the horse redeems the $100 note so far as A is concerned. B then desires to pay a debt of $100, and the hundred-dollar note is then redeemed by the debt so far as B is concerned, and the process goes on ad infinitum, these legal-tender dollars being a universal order for all things on sale, all services for hire, and the ultimate of payment for all debts.

Answering the chairman's question as to prices in

Canada being the same as in the United States, am constrained to say he has been misinformed. The general level of prices in Canada is fully 20 per cent. lower than in the United States.

To my mind it is a self-evident proposition that the purchasing power of a dollar or money unit is not any so-called intrinsic value in the dollar, but the competition of all men to get dollars, and if the number of dollars do not keep pace with the growing demands for dollars, their value will increase and greater sacrifices will have to be made by the people to get dollars, demand operating against supply.

To deny the quantitative principle in money is simply questioning the law of supply and demand, which is as universal as the law of gravitation.

Since the panic of October, 1907, there had been forced into the currency system a temporary increase of money, viz., the coinage of $10,364,720 of gold in October, $33,840,060 in November, and $12,929,085 in December, 1907. And in addition to this an increase of bank circulation on Panama bonds issued and Government certificates of indebtedness.

The people must not be misled by statements putting the per capita of money at $35 as of this date, as it is only temporary and an unfair way of putting it. To make this plain I refer again to the Report of the Comptroller of the Currency for 1907, page 48:

"Of the total stock of money in the country 11 per cent. is held in the Treasury as assets, 35.51 per cent. is in reporting banks, and 53.49 per cent. elsewhere, the per capita not in the Treasury or banks in 1907 being $19.36, or $1.03 less than in 1906."

Owing to the scarcity of money, $112,535,852 in gold was imported into this country, yet only $57,133,865 has been coined into money up to December 1, 1907.

This would make the coinage account stand as follows (letter received by me from Director of Mint, January 3, 1908): Coinage executed at the mint during the calendar year 1907, $131,907,490. Deduct amount of this coined up to the ending of the fiscal year, July, 1907, of $79,-622,337.50. We put to the credit of the next fiscal year, 1908, $52,285,152.50."

Although the Secretary of the Treasury and the Comptroller of the Currency both admit there was no lack of warning indications of financial troubles and possible business disaster for the last year or two, and these conditions must have been well known among the financiers of the large banks in New York, with whom these officials of the Treasury were in close business relations, it is therefore passing strange that nothing was done by them to protect the people against such a crisis and the loss of untold millions.

It is a question of more money.

The Comptroller of the Currency admits it on pages 66, 67, and 68:

"For at least ten or twelve years there has been an era of advancing prices and great industrial, commercial, and speculative activity in all the countries of the world. *Credits have increased and multiplied until the limit has been reached in the amount of reserve money* on which they must be based."

* * * * * * * * * * * * * *

"The difficulty in selling bonds has become so great that for several years many of the railways have had to raise money for their necessary expenditures and improvements with so-called short-time

notes, instead of regular bond issues, the rate of interest on such issues rising higher and higher and each issue being harder to place. Merchants and manufacturers of the highest standing and credit have found it more and more difficult to secure or renew loans and the rates have risen steadily for months past.

* * * * * * * * * * * * * *

"On October 26 the New York clearing-house decided to issue clearing-house certificates for use in the payment of balances, and to limit, if not suspend, the shipment of currency to out-of-town banks. In this the New York banks were followed by those of the other central reserve and most of the reserve cities. The result was to at once precipitate a most serious bank crisis and a famine of currency for pay rolls and other necessary cash transactions. All domestic exchanges were at once thrown into disorder and the means of remittance and collection were almost entirely suspended. Money has been withdrawn and hoarded by individuals, corporations, and even more, perhaps, by the banks themselves, all of whom at once drew and held all the money of any kind they could obtain, often really in larger sums than needed."

* * * * * * * * * * * * * *

"Factories have suspended, workmen have been thrown out of employment, orders have been cancelled, the moving of crops has been greatly retarded and interfered with, and exports have fallen off at a time of the year when they should be at their highest. Another result has been a reduction of the volume of the foreign credits available just at the time they are more needed to offset the large imports of gold which have been made."

* * * * * * * * * * * * * *

The conditions which led to the panic of October and November, 1907, were not due to the failure of a few individual banks. They were not due to the lack of confidence of the people in the banks, but more to a lack of confidence of the banks in themselves and their reserves. Banks have been fearful that the reserve system would break down, and in consequence it has broken down, and the reserve deposits have been only partially available. They were also fearful that not sufficient money could be supplied to meet the demand, and as they all made the demand at once, there has not been sufficient money. The result has been a money famine.

The normal trend of gold is shown by the following coinage of the mints of the United States and the world (p. 15, Director of Mint, 1907) for the fiscal years—

1900	$107,937,110.00	1904	$208,618,642.00
1901	99,065,715.00	1905	79,983,692.00
1902	61,980,572.00	1906	53,002,097.50
1903	45,721,773.00	1907	79,622,337.50

By reference to Statistical Record of the Progress of the United States, Department of Commerce and Labor, page 3, it will be seen there, under head of "Money in circulation," there was no increase in circulation of gold from 1900 to 1907.

By reference to page 81, 1906, Report of the Director of the Mint, we find the "Estimated stock of gold in the United States" for the fiscal years—

1900	$1,034,439,264	1903	$1,249,552,756
1901	1,124,652,818	1904	1,327,672,672
1902	1,192,395,607	1905	1,357,881,186

Report of Director of Mint for 1907, page 93:

1906	$1,368,612,051	1907	$1,328,768,271

A net decrease in fiscal year of $39,843,780.

Report of Director of Mint for 1907, page 102:

1873 coinage of gold in the mints of the world........	$257,630,802
1905 coinage of gold in the mints of the world........	245,954,257

After a lapse of thirty-two years a falling off of $11,-676,545 in the coinage of gold in the world.

Report of Director of Mint for 1907, page 2:

1897 coinage of gold in the mints of the world........	$437,722,992
1906 coinage of gold in the mints of the world........	366,326,788

After a lapse of nine years a falling off of $71,396,204 in the coinage of gold in the world.

Report of the Director of the Mint, 1906:

Stock of money in European banks, notes in circulation, December 31, 1905. England, France, Germany, Scotland, Ireland, Austria-Hungary, Belgium, Bulgaria, Denmark, Spain, Greece, Netherlands, Italy, Sicily, Norway, Portugal, Roumania, Russia, Finland, Servia, Sweden, Switzerland all now designated as gold-standard countries. Total of gold, $1,867,661,000 (decrease from 1904 of $12,352,000); total of silver, $525,153,000 (net decrease from 1904 of $17,370,000). Notes in money system December 31, 1905, $3,660,245,000 (net increase over 1904, $321,152,000). Now, being so-called gold-standard countries, we must add the silver to the notes, and the total will be $4,185,398,000 of notes to $1,867,661,000 gold. Percentage of gold to other kinds of money in European countries, 44 per cent.

Gold in the United States money system as per last revised report of the Director of the Mint, United States, page 93, for June 30, 1907, $1,328,768,271; other kinds of money, $1,679,473,312. Percentage of gold to other kinds of money in United States, 79 per cent.

Upon the basis of European countries, 44 per cent.. the United States, based upon the gold in its money system, $1,328,768,271, would be entitled to an increased issue of notes of $1,296,967,615, or a total stock of money in the United States of $4,305,209,198.

Percentage of gold to other kinds of money in France, 51 per cent.: Gold, $555,454,000; other kinds of money, $1,088,713,000.

Upon the basis of France the United States would be entitled to an increased issue of notes, based upon its gold money, of $1,164,090,787; or a total stock of money in the United States of $4,172,332,370.

Based upon the banking principle of 25 per cent.

of cash to credit the amount due depositors in banks, trust companies, savings banks, and building and loan associations, United States, a total of over $15,000,000,000. Twenty-five per cent. of this amount would be $3,750,-000,000.

Comparison.

After eight hundred years we have the following condition in the United Kingdom, 1904–5: Area, United Kingdom, 121,371 square miles; population, 43,217,687. England's national debt, $6,196,038,685. Gold in banks, public treasuries, $196,400,000; in circulation, $290,-300,000; total, $486,700,000, or 7 cents on the dollar of national debt alone.

France, after eleven hundred years: Area, 207,054 square miles; national debt, $6,963,953,193. Population, 39,300,000. Gold $555,450,000 or 8 cents on the dollar of national debt alone.

Now hear the case of the United States of America. Area, 3,624,122 square miles; population, 86,666,000. After one hundred and thirty-one years: national wealth, $117,304,211,917; annual increase, $3,400,000,000. Internal commerce, $25,000,000,000. Foreign exports, $1,853,000,000, and enough gold in the money system to pay off her national debt and have more left over than any other country has in its monetary system.

Upon this showing the American people have the right to demand an immediate increase of money. For thirty-five years they have patiently waited for the Congress to settle this money question upon a logical and sensible basis. They have suffered the results of makeshift legis-

lation resulting in panic after panic. And now they find the magnificent prosperity of this country has been legislated into a financial blind alley, and more makeshift legislation is suggested.

As a practical man familiar with the causes and temporary cures effected by the issue of credit currency, I do not hesitate to say that if the Congress of the United States would authorize the issue of five hundred millions full legal-tender American dollars to the monetary system and to be gradually placed in circulation through the appropriation committees of Congress in the same way that the money received from the taxes of the people is again put into circulation, the passage of such a bill would act like magic upon the whole business conditions of the country, and prosperity would be upon us again.

Congress can then take up the question as to the proper amount of money the monetary system of the United States should have to meet its marvellous development.

J. P. MORGAN & CO., AUGUST BELMONT & CO. AND MESSRS. N. M. ROTHSCHILD & SONS, LONDON, ENGLAND, AND THE UNITED STATES TREASURY.

Fawcet, in a work on Gold and Debt, says: "It is a trick of capital in all countries to persuade the people that their honor is at stake in the payment of war debts at the highest valuation the avarice of the holders may set on them."

Operation of the so-called Gold Standard upon the United States Treasury—the Fiduciary Institution of the People—when put in Operation by the International Bankers—Morgan, *et al.*

These gold advocates declare that it is dangerous to allow the gold reserve in the Treasury—created ostensibly to maintain the parity or equal value of the American dollars—to fall below $100,000,000. On March, 1894, it dropped below this amount and in February, 1894, it went down to $65,000,000—at which time the American paper dollar was bringing a premium.

At this time, as of old, through the past history of bond issues by the United States, the international bankers and saviours of the credit of nations appear upon the scene and enter into a secret contract with the Secretary of the Treasury, and approved by the President of the

United States, whereby, Morgan, Rothschild, and associates, buy $62,000,000 of United States bonds at about 104½ in gold—at which time these bonds were worth $117.00 in the open market, and a little later went up to $120.00. The syndicate, therefore, bought these bonds at about $10,000,000 less than their value and the American people were saddled with an unnecessary debt, which they have to pay, principal and interest, through taxation.

The following is a characteristic copy of such contracts:

[Copy.]

CONTRACT.

This agreement entered into this 8th day of February, 1895, between the Secretary of the Treasury of the United States, of the first part, and Messrs. August Belmont & Co., of New York, on behalf of Messrs. N. S. Rothschild & Sons, of London, England, and themselves, and Messrs. J. P. Morgan & Co., of New York, on behalf of Messrs. J. P. Morgan & Co., of London, and themselves, parties of the second part.

Witnesseth: Whereas it is provided by the Revised Statutes of the United States (section 3700) that the Secretary of the Treasury may purchase coin with any of the bonds or notes of the United States authorized by law, at such rates and upon such terms as he may deem advantageous to the public interests; and the Secretary of the Treasury now deems that an emergency exists in which the public interests require that, as hereinafter provided, coin shall be purchased with the bonds of the United States, of the description hereinafter mentioned, authorized to be issued under the act entitled "An act to provide for the resumption of specie payments," approved January 14, 1875, being bonds of the United States described in an act to Congress approved July 14, 1870, entitled "An act to authorize the refunding of the national debt."

Now, therefore, the said parties of the second part hereby agree to sell and deliver to the United States 3,500,000 ounces of standard gold coin of the United States, at the rate of $17.80441 per ounce, payable in United States 4 per cent. thirty-year coupon or registered bonds, said bonds to be dated February 1, 1895, and payable at

the pleasure of the United States after thirty years from date, issued under the acts of Congress of July 14, 1870, January 20, 1871, and January 14, 1876, bearing interest at the rate of 4 per cent. per annum, payable quarterly.

First. Such purchase and sale of gold coin being made on the following conditions:

(1) At least one-half or all coin deliverable hereinunder shall be obtained in and shipped from Europe, but the shipments shall not be required to exceed 300,000 ounces per month, unless the parties to the second part shall consent thereto.

(2) All deliveries shall be made at any of the sub-treasuries or at any other legal depository of the United States.

(3) All gold coins delivered shall be received on the basis of 25.8 grains of standard gold per dollar, if within limits of tolerance.

(4) Bonds delivered under this contract are to be delivered free of accrued interest, which is to be assumed and paid by the parties of the second part at the time of their delivery to them.

Second. Should the Secretary of the Treasury desire to offer or sell any bonds of the United States on or before the 1st day of October, 1895, he shall first offer the same to the parties of the second part; but thereafter he shall be free from every such obligation to the parties of the second part.

Third. The Secretary of the Treasury hereby reserves the right, within ten days from the date thereof, in case he shall receive authority from Congress therefor, to substitute any bonds of the United States bearing 3 per cent. interest, of which the principal and interest shall be specifically payable in United States gold coin of the present weight and fineness, for the bonds herein alluded to, such 3 per cent. bonds to be accepted by the parties of the second part at par, *i.e.*, at $18.60465 per ounce of standard gold.

Fourth. No bonds shall be delivered to the parties of the second part, or either of them, except in payment for coin from time to time received hereunder; whereupon the Secretary of the Treasury of the United States shall and will deliver the bonds as herein provided, at such places as shall be designated by the parties of the second part. Any expense of delivery out of the United States shall be assumed and paid by the parties of the second part.

Fifth. In consideration of the purchase of such coin the parties of the second part, and their associates hereunder, assume and will

bear all the expense and inevitable loss of bringing gold from Europe hereunder; and as far as lies in their power, will exert all financial influence and will make all legitimate efforts to protect the Treasury of the United States against the withdrawals of gold pending the complete performance of this contract.

In witness whereof the parties hereto set their hands in five parts this 8th day of February, 1895.

J. G. CARLISLE,
Secretary of the Treasury.

AUGUST BELMONT & CO.
On behalf of Messrs. N. M. Rothschild & Sons, London, and themselves.

J. P. MORGAN & CO.
On behalf of Messrs. J. P. Morgan & Co., London, and themselves.

Attest:
W. E. Curtis,
Francis Lynde Stetson.

In return for a profit of about $10,000,000 these gentlemen obligate themselves not to raid the gold reserve of the Government by the use of outstanding credit money until they complete their contract.

At this time the endless-chain operation of the so-called gold standard forced a total bond issue of $262,000,000 upon the tax-payers—which, with the interest added, will be not less than $450,000,000 to be paid by them. These financial experts now realize that the American people will no longer submit to these issues of Government bonds—so they now advocate the acceptance by the United States Government of railroad and other bonds, and miscellaneous assets of banks, as the basis and security for money they may issue, while they still own and collect the interest on these securities.

I desire here to emphasize the fact that the people—

consumers and tax-payers—have eventually to pay both principal and interest of these bonds or have it added to their living expenses in one form or another.

In the Panic of 1907.

Washington, D. C., November 22, 1907.—J. P. Morgan, head of the Financiers' Protective Committee in New York, and George T. Baker, President of the First National Bank, arrived here at 10 o'clock to-night, and went directly to the White House. Assistant Secretary of State, Robert Bacon, former partner of J. P. Morgan, accompanied Mr. Morgan and Mr. Baker to the White House and participated in the conference. They were in conference with the President one hour and a half. Mr. Morgan mentioned he had seen Mr. Cortelyou, Secretary of the Treasury, before entering the White House."

The Situation at this Time.

President Roosevelt had just returned from the canebrakes of Louisiana, and these creators of panics as object lessons, had the President on unfamiliar ground. Our Presidents have made so little study of "The Money Question," that these men have them at a great disadvantage.

When they fail to influence an administration at Washington in other ways the final stroke is to put it up against a panic, and they then win out, as no administration or political party has the moral courage to be thought responsible for a panic and subsequent business depression in the country. Roosevelt, being a fighter, would probably have done so, if he had had clear conviction on the money

question. These controllers of the money of the country knew this was his weak spot, as it has been with most of our Presidents, and brought their pressure to bear accordingly. The President, nevertheless, being a man well posted in New York business methods, discovered enough to convince him that the bankers were not playing fair with the Administration and the people, hence the discussion at this time in reference to the establishment of a *Central Government Bank.*

The visit of Morgan in company with Baker, and Assistant Secretary of State, Robert Bacon, former partner of J. P. Morgan, was described in the public press as follows:

"Morgan Visits White House in Opposition to Government Bank."

"*Washington, D. C., November* 22, 1907.—The establishment of a Central Government Bank has been earnestly discussed within the Administration circle for the last week.

"Two things have contributed toward making the Administration favor the plan.

"First, as has been stated, the relief funds released by the Government have not been handled by the banks in a way to bring aid to the real business interests of the country, but rather to build up cash reserves and favor specialized interests, the real business demands being ignored.

"Second, in the issue of the $100,000,000 certificates of indebtedness, the banks practically have demanded that the Government turn the money over to them without re-

compense of any sort. The Secretary of the Treasury was compelled to compromise with the bankers in order to get anything at all.

"Mr. Cortelyou announced this evening that he purposed to return to national banks subscribing for the certificates, as a deposit of public money, 75 per cent. of the cash paid for them. The remaining 25 per cent. will go for the time being to strengthen the cash balance of the Treasury.

"The transaction in the certificates of indebtedness leaves the Secretary of the Treasury in a ludicrous light as a financier. Briefly, summed up, it is revealed that for the first time in the history of the world probably a Government pays interest on its own deposits in the banks.

"Taking a round million as a basis under the terms made with the banks, the following transaction takes place: The banks put up $250,000 and we promptly returned $1,000,000 in certificates of indebtedness exchangeable for currency."

"Hard Bargain Driven by the Bankers.

"These certificates of indebtedness carry 3 per cent. interest. The other $750,000 supposed to be put up is promptly returned to the banks as deposits.

"The purpose of the Treasury as announced by the Secretary to-day is to leave the money in the banks and to increase the supply in the banks in every manner possible.

"In order to carry through the arrangement with the banks in the most expeditious manner, the Secretary and the banks have completed plans by which the sale of the

certificates, the payments in the manner described and the issuance of bank note currency may all be accomplished simultaneously.

"The banks will include in their offers for certificates applications for increased circulation. They will make the payments for the certificates in cash and securities to the sub-treasuries, and receive in return, not the certificates themselves, but bank notes to the full amount of the certificates purchased."

This last deal with the United States Treasury occurred less than a month after the Secretary of the Treasury had given these men the use of $34,033,000 of the money of the tax-payers of this country, at a critical time during the panic. This was in addition to over $150,000,000 that had already been deposited of the people's money in national banks without interest, and by December 31, 1907, amounted to $245,556,944. This enormous amount of the people's money was deposited in these banks, when by the testimony before the Banking and Currency Committee of Congress these national banks were unable to pay into the United States Treasury the 5 per cent. cash guarantee to the Government to protect their bank-note circulation.

This brings to mind the one-sided partnership that exists between the Treasury of the United States and the banks. Here is a specimen of how the business is carried on by the fiduciary department of the Government representing the people, and the present banking system.

"The United States Treasury does queer things. On August 22, 1907, I personally directed the attention of

Secretary Cortelyou to some $4,000,000 of false entries made daily at the sub-treasury in New York. These entries are described in the report on fiscal system (page 76) as receipts of checks 'converted into cash before final credit is given in the accounts involved'—that is, checks are received from the clearing house and paid with other checks sent there for collection, the checks being exchanged or 'swapped' without handling any money except the difference—but the amount balanced is falsely entered as gold certificates, for the most part, with additional entries of United States notes, silver certificates, fractional silver, nickels, and copper to make up the exact sum. My letters to Secretary Cortelyou detailing falsifications to the amount of $1,279,563,526 for the fiscal year 1906 were printed in the Congressional Record March 2, 1908, pages 2829–31.

"False entries engender false ideas. The false entries I complain of are made to conceal the fact that every year checks aggregating several hundred million dollars are received at the sub-treasury in New York and paid by balancing accounts.

"In 1907 the Treasury Department had over $250,000,000 of available cash balance on hand or in banks, and $111,000,000 of United States bonds to pay off. By the use of bank deposits and checks drawn on them the operation would have been as simple as checking $111 out of $250 deposited. The Treasury seems to have considered the operation impracticable. Secretary Cortelyou paid $61,000,000 of the bonds and to pay off $50,000,000 more, instead of using the cash on hand or in banks, borrowed $50,000,000 to be repaid in 23 years (1930), with $1,000,000 a year interest, that is, the Secretary

bound the United States to pay $23,000,000 before paying the principal, which was as purely a waste of $23,000,000 as if it had been stolen."

JAMES C. HALLOCK, Washington, D. C.

It can be clearly seen that Congress and the United States Treasury no longer represent the people. The greatest standing reflection upon the boasted intelligence of our people is their thoughtless submission to the present infamous currency system—*money based on debts, Banks of Issue, and gold redemption.*

HEARING BEFORE THE UNITED STATES INTERSTATE COMMERCE COMMISSION.

THE EMPLOYEES OF THE RAILROAD WERE FIRST HEARD, ADVOCATING INCREASED FREIGHT RATES ON THE PEOPLE. THE FOLLOWING RAILROAD PRESIDENTS WERE THEN HEARD, OCTOBER 13, 1910: MCCREA, OF THE PENNSYLVANIA, WILLARD, OF THE BALTIMORE & OHIO, BROWN, OF THE NEW YORK CENTRAL, RIPLEY, OF THE ATCHISON, AND MELLEN, OF THE NEW HAVEN.

PRESIDENT WILLARD OF THE BALTIMORE AND OHIO SYSTEM, BEFORE THE UNITED STATES INTERSTATE COMMERCE COMMISSION.

"*October* 13, 1910.—In a deliberate and carefully considered statement to-day before the Interstate Commerce Commission, President Daniel Willard, of the Baltimore and Ohio railroad, declared that unless the railroads were allowed to increase their freight rates, as proposed, their credit would suffer serious damage and the development of their resources be arrested.

"Mr. Willard declared the most important element in a railroad's credit was the maintenance of an ample surplus, which could be put back into the property. This reinvestment of earnings, he said, provided support for the securities already issued upon a road. Therefore, he added, the reinvestment of excess earnings should not be capitalized.

"In answer to questions from Mr. Bond, Mr. Willard told the Commission what he regarded as the basis for

railway credit. He said that first the history of the company's earnings was considered by bankers; secondly, the size of the bonded indebtedness and its relation to stock issues was considered.

" Lastly, and the most important element of credit, was the size of the surplus earnings which a property was able to produce.

" When he came to the Baltimore and Ohio last January, Mr. Willard said that he found it necessary to raise $50,-000,000 with which to pay for new equipment then ordered. After considerable negotiation the amount was raised by a sale of notes at an interest charge fairly favorable to his company. This, he said, could not be repeated now, on account of the uncertainty in the security market, caused by the inability of the roads to increase their freight rates.

" He declared that the credit of the railroads was at stake in the question of advancing the freight rates as proposed.

" The earning history of a company, its bonded indebtedness and the size and application of its surplus are the elements that a railway's credit is based upon.

" Without an increase in freight charges the roads would face a serious situation and be unable to develop their resources.

" For every dollar paid in dividends to stockholders, another dollar should be put back in a railroad property out of earnings.

" It has been the policy of his company, said President Willard, to invest 50 cents in the road out of earnings for every dollar which it has paid to its stockholders in

dividends. He said this was the least amount which could be thus reinvested consistent with conservative railway management.

"Without the added income from the proposed freight rates increase, he said, his road would have no surplus to expend for improvements, and deterioration would result."

Answering the first paragraph, it will be seen the "credit" of the road is the first thing to be considered—in order that it may go deeper into debt, and the tax upon the people be increased to pay interest and dividends to its security holders.

Mr. Willard's statement in the second paragraph "an ample surplus is the most important element in a railroad's *credit,*" reminds me of the testimony of C. P. Huntington before the Senate Committee when he stated he bought railroad properties that he never expected to pay for. He had previously stated that he carried many thousands of dollars to his credit in cash in the banks.

Senator Morgan then asked him what he did with his money if he bought railroads and never expected to pay for them.

He replied he kept it in banks as an "explainer." In other words it gave him a credit which enabled him to repeat the operation of securing railroads as the basis of bond and stock operations which when handled in corporation with banking financiers was far more profitable than investing his cash to share only in the legitimate earnings of the railroad. Hence the great importance given by the controlling interests of our railroads to element of credit.

He goes on to state the importance of the surplus, "which could be put back into the road." Yet he knows, as every intelligent citizen should know, that under the funding and refunding schemes now practised by all of them, not only is every dollar put back in the roads, but it is made the basis of the issue of double the amount in debts, upon which the people are to pay the interest and dividends, in the shape of increased freight and passenger rates.

The last paragraph in this statement of the "star witness" of the railroads before the Commission is a startling admission and confession. It simply means that the railroads of this country have been over bonded, and overstocked to such an extent that they are now helpless, and call on the people to save them, or "deterioration will result."

A mass of testimony will be taken before this Commission until the intelligence of the American people will be chloroformed by the multiplication of words.

Here is the conclusive answer of the people who are now between the upper and nether millstones, according to the official report of the Interstate Commerce Commission, December 21, 1909.

The bonded indebtedness—according to the returns of carriers filing reports with the Commission, exclusive of those classed as switching and terminal companies, was $16,767,544,827.

Of the total capital outstanding, there existed as stock $7,373,212,323. The remaining part, $9,394,332,504, were mortgaged bonds, of which amount $12,840,091,462 was outstanding in the hands of the public.

It is a well known fact that these roads were built on the money realized from bonds—and the controlling interests in partnership with promoting bankers and financiers manufactured the stock out of nothing.

It is now shown by the arithmetic applied by the President of the Baltimore and Ohio—as the others fall far below this amount—that the best they expect to do, is to put into the development of the road 50 cents to every dollar they pay out in dividends on this stock—manufactured paper tokens of wealth, converted into money by the financial manipulators and controllers of our present banking system.

And now, having bonded and stocked the railroads of the country for twice as much as it cost to build them, and deliberately robbed the American people of millions of dollars, they propose to free themselves from all accountability by saying to the representatives of the people, —the Interstate Commerce Commission,—"If you do not allow us to raise freight rates and thereby tax the people to take care of the interest and dividends on the inflated debts we have created on these roads, we will unload the responsibility of taking care of them on the Interstate Commerce Commission or the Government."

The strongest reason, Mr. Willard testified, for the increase in rates as proposed lay in the fact that the present uncertainty as to the value of railroad stock must be removed if proper development of railroad resources and the resources tributary and dependent upon the roads is to come. He said that securities must be placed upon a solid basis or disaster will follow.

Mr. Willard then impressively declared that the responsibility for the credit of American railroads had been removed by law from the shoulders of the railway managers and placed upon the shoulders of the Interstate Commerce Commission. This meant that the Commission must act wisely or else serious results will follow for the country.

The inevitable result of this over-bonding and overstocking of railroads is to increase the charges against the public—the increase of freight being added to the things transported and eventually paid for by the consumer.

The importance of this conference is owing to the fact that this is the first time in the history of this country that the Trust principle has gone so far as to bring about a combination between the Railroad Corporation and their employees. They virtually say "let us stop fighting each other, get together and make the American people pay us the money, through an increase of freight rates."

It's a well-known fact that J. P. Morgan & Co. have financed and control an immense proportion of the railroads of the country, and their purpose is to tax the twenty-five billion dollars of internal commerce of the United States for all the people will stand.

They are now resorting to pressure upon their borrowers of all sorts to induce them to co-operate in forcing the Government through the Interstate Commerce Commission to allow them to increase freight rates on the consumers.

We see the ridiculous and disreputable spectacle of the largest furniture manufacturers of this country, from

Grand Rapids, Michigan, making a pilgrimage to the capital of the United States and appearing before the Interstate Commerce Commission, asking them to allow the railroads to increase the freight on the furniture they manufacture, and the only favor they ask in return is that this advance of freight rates shall be uniform throughout the United States.

Upon being examined they admit that their appearance as witnesses was at the suggestion of George W. Perkins, of J. P. Morgan & Co.

"*November* 27, 1910.—Now comes before the Interstate Commerce Commission the representative of the great life insurance companies upon whom Morgan, *et al.,* have unloaded railroad bonds and stocks. These men also control the life insurance companies to whom they sell these bonds and stocks.

"A new element was injected into the controversy yesterday. George C. Ide, representing the Association of Life Insurance Presidents, came forward with a plea in behalf of the increased rates, speaking, as he said, for 20,000,000 policy holders. Mr. Ide pointed out that if the railroads were denied authority to advance rates their earnings would be diminished. This, he said, would affect the value of securities.

"He made the assertion that the life insurance companies have billions of dollars invested in railroad bonds. If they decline in value, as Mr. Ide believes they will should the railroads be unable to increase their earnings through increased rates, the insurance companies might be disposed to put their money in other investments."

It will be noticed that the people who have to pay the freight charges are nowhere represented in this combination, but the manufacturers of debts, and the investors in debts, upon which the people also have to pay the interest, and dividends, are all advocating an increase of freight, for the consumers to pay.

Can there be a clearer demonstration of how the whole burden eventually falls upon the people?

First of all by the *use* of money deposited in financial institutions under the dominating influence of these promoters of large enterprises, who are farming out this money, charging interest, and commission, often participating and acquiring an interest thereby in the enterprise so financed, by them. Then underwriting these same securities with a large margin of profit, then placing them with the life insurance companies, and like institutions, also controlled by them, and again getting hold of the money of the people held by the life insurance companies, and thus putting themselves in position to repeat the same performance.

After loading down the enterprises of this country with these debts, evidenced by bonds, mortgages on manufacturing plants, and stocks of all description—to such an amount that even with the marvellous developments of this country, whose internal commerce amounts to over twenty-five billion dollars a year, the freight charges upon same can no longer take care of the interest and dividends on the over-capitalization of these enterprises.

These banking financiers, the original creators of this condition, now see trouble ahead, and are frantically calling on all the interests involved to get together and exert

every influence to force an additional tax upon the people in order that they may continue to pay interest and dividends on these bonds and stocks.

In this age of short memories, where the most important happenings are but the wonder of an hour, and the subject of superficial gossip for a few days, we are in the habit of seeing in the papers and periodicals constant mention of the so-called "kings of finance" J. P. Morgan, *et al.,* until the economic and universal importance of money, the circulating medium, upon which the welfare of the entire country depends, is lost sight of, obscured by the prominence given these manipulators and promoters of high finance. Under date of June 26, 1910, in an interview with one of them, Thomas F. Ryan, the following statement is made: "It is a fact that a great part of the financial machinery with which King Morgan has been able to carry out his great undertakings has been the work of his own hands. His first task was to centralize the wealth of this country largely in New York, where it could be had quickly for the big corporate movements which have astonished the world in the last few years."

This modern financier, a prominent member of the group, then goes on to name "seven kings of finance" in this country, and, "Thinks the world will be safe when Morgan dies." He then states "his complete confidence in the six men named to take care of world finances and manage them as ably as Mr. Morgan had done," and also that, "To no man had come the opportunities coupled with the genius to turn them to advantage, that had come to Morgan. The result was a king of finance, whose power was greater than that of any man the world has produced."

The writer of this, as usual in such articles, fails to state for the interest of the American citizens that the said financier, indulging in such encomiums upon his associates in large business undertakings, was indicted by a grand jury in New York, and testified under oath that 90 per cent. of all the stock issued by the steam railroad corporations in this country was water. This is a fact now known of all men and applies to most if not all the enterprises financed by these gentlemen in the last ten years; and now hangs like a millstone around the economic neck of the country.

No country in all the tide of time ever produced a greater band of financial buccaneers, and their business record proves it. I have watched the fulminations of these gentlemen on the subject of money for over fifteen years, and if any man can show me a single thing of merit ever said, or written by this combination of so-called financiers on the subject of money, showing that they knew, or cared to know, the economic laws governing the subject, or are seriously or broadly interested in solving this problem in the interest of the people, I would like them to produce it.

J. P. Morgan has been in evidence at Washington during every panic in recent years, and not once has he ever made a suggestion upon the subject beneficial to the American people, but in every case he has taken advantage of the opportunity to make all the money he could out of the government, which means the people of the United States, for himself and foreign associates. In the panics previous to 1907 he made all the money possible out of the bonds issued by the Government.

Andrew Carnegie, although retired from active business, said he could have picked up fifty millions in the panic of 1907 with ease, yet he resisted the temptation. Not so J. P. Morgan and associates. They had both feet in the financial trough and made large fortunes out of this panic which caused losses to the people of untold millions, yet no doubt remembered the limitation Gould put upon his attorneys to keep him out of the penitentiary, and knowing the penal clause of the Sherman Anti-Trust law was just ahead of them, they hurried on to Washington, and, in company with their friends holding high official positions in the Government, deliberately misled the President of the American people, as will be shown by the Report upon Senate Resolution No. 243, Sixtieth Congress, Second Session, March 2, 1909, which is as follows:

Resolved, That the Committee on the Judiciary be, and it is hereby directed to report to the Senate as early as may be practicable, whether, in the opinion of the Committee, the President was authorized to permit the absorption of the Tennessee Coal and Iron Company by the United States Steel Corporation, as is shown by the message of the President in response to Senate Resolution Numbered Two hundred and forty-three, this session.

I quote the following:

"In his letter to the Attorney-General of November 4, 1907, already referred to, the President said: Judge E. H. Gary and Mr. H. C. Frick, on behalf of the Steel Corporation, have just called upon me. They state that there is a certain business firm (the *name of which I have not been told,* but which is of real importance in New York business circles) which will undoubtedly fail this week if

help is not given. Among its assets are a majority of the securities of the Tennessee Coal Company. Application has been urgently made to the Steel Corporation to purchase this stock as the only means of avoiding a failure."

The Senate Report continues:

"The firm referred to in this letter is that of Moore & Schley, stock brokers of New York City. This firm did not hold as assets, as represented to the President by officials of the Steel Corporation, any portion whatever of the stock of the Tennessee Company. This is shown positively by Grant B. Schley, a member of the firm, in his testimony before the subcommittee."

MR. SCHLEY.

"*Senator Culberson.* You have already stated that your firm did not hold as assets of the firm a single dollar of this stock?

"*Mr. Schley.* No; they were not subscribers and they did not buy any of the stock.

"*Senator Culberson.* They did not, therefore, hold it as a part of their assets?

"*Mr. Schley.* They did not own it. It could not be their assets without they owned it. (Hearing, p. 71.)

"It is also stated by this witness, without contradiction from any source, that this firm was not borrowing for its customers on a majority of the stock of the Tennessee company.

"The formation and existence of the syndicate holding control of the Tennessee Company stock, organized by Grant B. Schley, was well known in Wall Street. Banks

in New York, some of them known as Morgan banks, carrying Moore & Schley loans with the Tennessee Company stock as collateral, pressed these loans vigorously. This firm continued to meet successfully all demands upon it, but finally fearful of the result of persistent and terrific pounding, it sought and made terms with the Steel Corporation. The syndicate did not desire to sell the stock, but was forced to do so. When the Steel Corporation purchased the stock and absorbed the Tennessee Company the pressure ceased and general conditions decidedly improved on the stock exchange. Grant B. Schley thus describes the final squeeze and the surrender:"

"*Senator Overman.* So you approached Mr. Ledyard, who was attorney for Morgan, was he not?

"*Mr. Schley.* I don't know that he was attorney for him; he was a friend.

"*Senator Overman.* I want to ask you whether or not you had any interest in the United States Steel Company yourself?

"*Mr. Schley.* Not a dollar."

"That the Tennessee Company stock was singled out appears further from the testimony of George W. Perkins, of the Steel Corporation:

"*Senator Overman.* Why were these special securities mentioned? That was only a drop in the bucket. There were a tremendous amount of securities up.

"*Mr. Perkins.* Yes, sir.

"*Senator Overman.* Why were those securities mentioned?

"*Mr. Perkins.* Why does a man cry 'fire' in a theatre?

"*Senator Overman.* I do not know any special reason why these stocks were mentioned.

"*Mr. Perkins.* I have not the slightest idea. You never can tell why such things occur.

"*Senator Overman.* Were these specially mentioned more than any other?

"*Mr. Perkins.* At this period of the panic?

"*Senator Overman.* Yes, these particular stocks.

"*Mr. Perkins.* Yes; it became centred at that particular stage of the panic, which covered three weeks. (Hearings, p. 50.)

"No bank or important banking concern or business house was saved by the transaction. It appears from the testimony of Grant B. Schley that if the $5,000,000 or $6,000,000 loans which Moore & Schley had with the several banks, with Tennessee Company stock as collateral, had been cared for it would have relieved that firm, but it seems nothing less than control of the Tennessee Company was considered by the Steel Corporation. (Hearings, pp. 72, 73.)

"As said by a well-known writer, referring to the supposed unselfishness of the Steel Corporation in purchasing the stock of the Tennessee Company, 'If they checked the panic by this transaction, they did it by taking a few dollars out of one pocket and putting millions into another.'

"Conclusion reached by the Committee from the foregoing facts:

"It follows from what has been said that we think the resolution should be answered that, in the judgment of the

committee, the President was not authorized to permit the absorption of the Tennessee Company by the Steel Corporation."

"A. B. KITTREDGE,
"LEE S. OVERMAN,
"ISIDOR RAYNER,
"C. A. CULBERSON."

VIEWS OF SENATOR BACON.

"Under the facts narrated and the authorities cited in the foregoing report, it is my opinion that the absorption of the Tennessee Coal and Iron Company by the United States Steel Corporation was in violation of the existing laws of the United States; and no officer of the United States has authority to countenance or to even negatively sanction such violation of law.

"In view, however, of the fact that the Constitution devolves upon the Senate the duty of hearing and determining any charges alleged against the President, which may be preferred in the manner prescribed by the Constitution, it is my opinion that, while the Senate might commend or approve any act of the President, it would be improper for the Senate in the absence of charges thus preferred, and a legal trial thereon, to express by resolution or otherwise its judgment of condemnation relative to any alleged official misconduct on the part of the President.

"For this reason my view is that the expression of the opinion of the committee to the Senate should be limited to the above statement."

A. O. BACON,
Senator.

Views of Mr. Nelson.

"In my opinion the absorption of the Tennessee Coal and Iron Company by the United States Steel Corporation was clearly in violation of the anti-trust law. I am further of the opinion that such absorption ought not to have been tolerated by the Government, but I believe the President was misled into taking the course he did take by the representations made to him, that the absorption was necessary in order to stay and allay the financial panic then prevailing, and that but for his belief in the truth of such representations he would not have acquiesced in the absorption.

Knute Nelson,
Senator."

Why is this violation of the law still tolerated? It recalls Roosevelt's statement to Attorney General Bonaparte, "I do not know whether Taft can afford to do without the Morgan influence."

The panic commenced *October* 22, 1907, the day of the failure of the Knickerbocker Trust Company. On the same day, *October* 22, 1907, Secretary Cortelyou announced from Washington he would support the New York City banks.

October 23, 1907.—Secretary Cortelyou arrived at the Sub-Treasury in New York at 9 *o'clock,* and was in conference with bankers. It was stated on good authority that the amount of cash deposited with the New York banks by the Treasury Department to-day amounted to $10,-000,000.

October 24, 1907.—At 11 *o'clock* Secretary Cortelyou said, "Things look pretty good now, I will remain some time longer. The rumor that we are short of small bills is unfounded, we have $10,000,000 in small denominations."

The United States Sub-Treasury to-day put into effect Secretary Cortelyou's promise to make further deposits amounting to $25,000,000 with the New York banks. As fast as collateral was offered by the banks the Sub-Treasury deposited United States funds with them, the supply being mailed by heavy shipments of currency from Washington.

October 24, 1907.—After a conference with Secretary Cortelyou this morning, George W. Perkins, of J. P. Morgan & Co., said, "The situation is working itself out satisfactorily."

At 2.20 P.M. J. P. Morgan & Co. sent $25,000,000 to the Stock Exchange to be loaned on call to relieve the financial situation.

Q.—Whose $25,000,000 was this?

A.—The tax-payers'.

Q.—Who stopped the panic of 1907?

A.—The money of the people of the United States.

Men who bow down to Morgan and decorate him as the "Protector" in this panic, and call him the "Uncrowned King of Finance," are no more to be respected than the worshippers of the "golden calf."

The situation of the bankers at this time, *October* 22, 1907, was so precarious, and money was so scarce with them, that a loan of $200,000 was made on the Stock

Exchange in New York, shortly after 2 o'clock, at 70 per cent. Testimony before the Banking and Currency Committee of the Congress shows they were unable to pay the 5 per cent. cash guarantee to the Government to protect their outstanding bank-note circulation.

It is not only very evident that J. P. Morgan & Co. did not stop the panic but subsequent developments show that they practically used a part of the $25,000,000 of the people's money to buy the controlling interest in the Tennessee Coal and Iron Company. They had the money and it was only necessary for them to substitute the collateral for it. Thus the people furnish the money to build up monopolies against themselves.

As a conclusive demonstration and in confirmation of this I give the exact amounts and dates of the deposits by the United States Treasury for the relief of the panic, as furnished me in their letter of October 27, 1910, as follows:

October 22, 1907	$6,000,000
October 23, 1907	8,500,000
October 24, 1907	11,750,000
October 25, 1907	7,033,000
October 26, 1907	750,000
Total	$34,033,000

The Steel Corporation Planning to Absorb The Tennessee Company.

November 3, 1907.—The following bankers met in conference to-day in J. P. Morgan's art gallery.

I desire to call the reader's attention especially to the personnel of the combination and the date of this meeting:

J. P. Morgan, his two partners, George W. Perkins and Charles Steel.

James Stillman, President National City Bank.

George F. Baker, President First National Bank.

A. Barton Hepburn, President Chase National Bank.

Isaac Seligman and *Grant B. Schley.*

November 4, 1907, *Washington, D. C.*—Messrs. Gary and Frick called at the White House and Secretary of State Elihu Root was sent for. The conference with President Roosevelt lasted nearly two hours.

November 5.—The United States Steel Corporation consummated the purchase of the Tennessee Coal and Iron Company.

After fixing in the mind the meeting held in J. P. Morgan's art gallery, *November* 3, 1907, and reading the testimony of Grant B. Schley, who was present at the meeting in Morgan's art gallery in New York, I would call attention again to the answers of J. P. Morgan's partner and personal representative, George W. Perkins, in order that the people may have a fair idea of the character of these men, and the combination they are up against.

Senator Overman. Asking George W. Perkins why the stock of the Tennessee Coal and Iron Company was singled out as the object of attack during the panic of 1907.

A. *Mr. Perkins.* I have not the slightest idea. You never can tell why such things occur.

It should then be borne in mind that the meeting in Morgan's art gallery followed the attack on the stock of the

Tennessee Company, as did the meeting at the White House and the final purchase by Morgan & Co., of the stock of the Tennessee Company for the United States Steel Corporation.

This answer is a deliberate piece of deception and in perfect keeping with the whole plan of these professional schemers to carry out a deliberate violation of the law, even if they had to deceive the President of the United States to do so.

J. P. Morgan was in the Senate Gallery to father the Bill reported by Senator Aldrich from the Senate Finance Committee for the government to accept railroad bonds, etc., as the basis of issuing credit money by the banks.

The next time we hear of this so-called international banker he is trying to list United States Steel Corporation Securities on the Paris Bourse.

Having failed in his first attempt, we next see his former partner, Robert Bacon, appointed as the *United States Ambassador* to *France,* thus giving him the prestige of this great Government in dealing with foreign countries.

Then we see Robert Bacon, Jr., son of Robert Bacon, American Ambassador to France, appointed as private secretary to the Assistant Secretary of the United States Treasury, A. Piatt Andrew, who has already been selected by Senator Nelson W. Aldrich as *special assistant* to the "National Monetary Commission," and taken to Europe on an educational tour to study foreign banking systems.

It can be plainly seen that the whole combination is Morganatic and that the money system of the United

States is being manipulated in the interest of American and European money lenders, to exploit the people.

The following comments from the public press furnish the people with the character of this man, Nelson W. Aldrich, who absolutely dominates the work of this American Monetary Commission that is now to recommend to Congress a money system affecting every man, woman, and child in the United States.

HIGGINS ASSAILS ALDRICH.

Governor of Rhode Island calls Senator a Disgrace to Nation.

"*Providence, R. I., October* 30.—Aldrich is not only not a representative of Rhode Island or of Rhode Island's interests, but he is a disgrace and a scandal to the citizenship of the entire nation. He is the most dangerous character in the United States Senate."

"MR. ALDRICH DOUBTED.

From the *Providence Journal.*—"When Mr. Taft credits Mr. Aldrich with 'an earnest desire to aid the people' he attributes to him a benevolence which even the people of his own State have not known him to possess."

"ALDRICH AT NEWPORT.

"*Host to Kings of Finance at a Luncheon Party.*

"*Newport, R. I., August* 27, 1910.—Senator Nelson W. Aldrich, of Rhode Island, spent a part of the day here to-day, and his coming was the occasion for quite a gather-

ing of the financial men of the country at a luncheon party.

"Senator Aldrich gave the luncheon at the Gooseberry Island Fishing Club for J. P. Morgan. Other guests were Senator George P. Wetmore, E. J. Berwind, Thomas F. Ryan, William C. Roelker, Elisha Dyer, R. I. Gammel, Edmund J. Gurley, George B. DeForest, Gen. J. Fred Pierson, Ogden Mills, and James J. Van Allen."

Shall Mr. Aldrich Resign?

From the *New York World.* "*August,* 1910.—In a sworn statement filed January 27, 1910, with Secretary of State Dickinson of New Jersey, Edward B. Aldrich, general manager of the Intercontinental Rubber Company, showed that his father, Nelson W. Aldrich, owned $3,025,000 of that corporation's stock. Nelson W. Aldrich is a United States Senator from Rhode Island, whose term expires next March.

"Nelson W. Aldrich is now, and was at the time of the passage of the Tariff Bill, Chairman of the Finance Committee of the Senate, the committee which had the measure in charge.

"In this capacity Nelson W. Aldrich, the owner of $3,025,000 of Intercontinental Stock, increased the House tariff rate of 30 per cent. on manufactures of rubber to 35 per cent. The Intercontinental Company deals now only in crude rubber, which is on the free list, but its business and social relations with the men who control the United States Rubber Company, the trust in manufactures of rubber, are very close.

"Legislation that puts money in the treasury of the

United States Rubber Company cannot fail to benefit also the Intercontinental Company.

"In view of all the facts, does not Nelson W. Aldrich think it would be decent and reasonable if he were to anticipate the expiration of his term by resignation?

"No doubt Senators have applied the tariff to their own purposes before this, but they have not always been caught at it.

"Nelson W. Aldrich's capacity for mischief or for usefulness is at an end. He can render his party and his country only one service, and that is to retire to private life quickly and quietly."

It is interesting in this connection to read the following statements made by Lincoln Steffens, after a thorough investigation of Wall Street banking methods, and published in *Everybody's Magazine,* November, 1910.

After giving the list of banks and trust companies, life insurance companies, railroad and transportation companies, industrial corporations, etc., dominated by Morgan, he continues as follows:

"Taken from the *New York World,* which makes the following *summary:*

"The One Man Power."

Morgan's banks	$1,000,000,000
Morgan's banking interests	6,133,487,000
Morgan's affiliated companies	2,635,095,000
Morgan's partners	500,000,000
Grand total	$10,268,582,000

"Such an array of figures looks formidable enough. It is alarming. It suggests the wealth of a nation, rather than of a mere man. And yet this list gives no true con-

ception of Mr. Morgan's power, to say nothing of the organized power he personifies.

"In the first place, the list is, the *World* says, incomplete, even as to Morgan's possessions and interests. In the second place, it takes no account of Morgan's personal influence over the banking machinery of the country; of his indirect power over concerns in which he has no property interest; with foreign financiers who so often act with him; with 'independents,' like the commercial and Jewish bankers here who dread, resent, but so respect his power that, as some of them put it to me, they 'wouldn't do anything to bring on a row with Morgan.' Nor does it show his prestige with the little business men who follow the blind leaders blindly. And in the third place, this list gives only Mr. Morgan's interests, not those of the Standard Oil and the other powerful groups and individuals that have the 'tacit understanding' with Mr. Morgan.

"This form of the question was suggested by the recollection of an experience I had after an investigation of the political corruption of a western State. The exposures there had involved criminally the head of a great, rich industrial trust. He was a big advertiser, too, and he demanded to see me about the article I was writing. When we met, he was not indignant, as I had expected him to be; he was pathetic.

"'What do you want to pick out a little fellow like me for?' he said. 'Why don't you take one of those big trusts?'

"'Why,' he whined—'Why don't you take the biggest trust in the world?'

"'Why,' he said, 'the biggest trust in the world is the Money Trust. Why don't you show it up? Why don't you show up the New York Clearing House?'"

"Now the New York Clearing House was known to me as an innocent piece of local, clerical machinery which balances each day the claims of its members against one another so as to reduce to a minimum the settlement in actual cash."

"'Oh, I don't mean the Association itself,' he said. 'I mean the combination of men who own the banks that are members of the Association. They control those banks and the banks they clear for. They control the banking system of the United States, which controls money. They are the monopolists of monopolies. They monopolize money. The Clearing House banks are the trust that controls American credit.'

"'The President of a national bank in Wall Street, which was generally admitted to confine its business to commercial loans, indicated the division, and he did it in terms which will interest "the little business men" of the whole country. We were talking, as all Wall Street was at the time, of a fresh acquisition by J. P. Morgan & Co., of a whole group of New York depositories.

"'This move by Morgan,' said the banker, 'is but one of many similar steps taken by him and by the other leading speculative and promoting bankers to get hold of the depositories of the money of the nation.'

"Merchants and manufacturers cannot have the accommodations they should have, neither here in New York nor elsewhere in the country. They have to compete for money with the speculator, and the speculator pays well.

"But the trouble is due in very large part to the ever-increasing control by Morgan, Standard Oil & Co.—by the very interests Aldrich and the Senate represent—of the financial machinery which collects the free capital of the nation and, drawing it from local enterprise and general, going business, brings it to New York and puts it into stock gambling, the combinations that are exploiting old business, and the promotion of new business—to finance.

"I know men who, to finance big schemes, have had to pay the highest legal rate of interest, give a note for a million when they got only $900,000, pay the banker a "commission" and—as if this were not enough—divide their profits with him.

"Guy Scull, the war correspondent, tells how he sat out part of a battle in South Africa, on the protected side of a hill, watching a big British gun at work. The first shell burst among the Boers, and they scattered. But the big gun kept on dropping shells upon the abandoned ground. After watching the senseless proceeding a while, Scull loafed back to the lines and told the British officer in command of the gun that the Boers had moved from where he was aiming at. The faithful Briton stared a moment, then he answered:

"'I've been ordered to fire at that place all day and I shall obey my orders.'

"It is so with us and our government. Our big guns have been ordered to shoot at the place where the enemy were, and they are obeying orders. They are still shooting at laws permitting combinations in restraint of trade. But the enemy have moved. What are they after now? Look in two directions at once and you will see. In Wall

Street they are after banks and at Washington they are after a Central Bank.

"A national central bank may be a good thing. That's another question. And it's a question largely of method, management, and control. But it's Aldrich who is preparing the bill for the bank—Aldrich, the floor leader of the combine in the Senate which represents Wall Street; the man who 'fixed' the tariff law against us; and the railroad law; the 'fixer' of most of our big legislation in the interest of 'Wall Street.' Aldrich has said that he means to round out his career with a bill that shall fix the methods, management, and the control of the United States bank of banks. He still fights for everything else: for high protection for trust products; for the right of railroads to pool their rates. And Wall Street still wants those old things that it doesn't really need. But the thing that Aldrich really wants now, the all-important thing, is that bank bill which is being hatched out somewhere right now. That's what Aldrich is after. He has moved. And, by a strange coincidence, while he is moving for a central, national holding bank, the men he represents are moving toward the control of the banking system of the nation.

"This is no accident. Aldrich wouldn't be 'after' a government bank to compete with our 'Private banks.' They are all after something. What is it?

"'Money,' said a Boston financier, and he explained: 'There's no money in railroads any more, nor in public-service corporations. Not big money. The agitation against these things, and the legislation, or worse, will take all the big money out of this line of business. I believe

we shall get no more than fair interest upon actual investment in public-service corporations. And that won't keep the big men in them. They will go into banks, more and more. The banks have not been attacked. The people feel about them as they do about the constitution. Even Governor Hughes stopped when, having gone from life insurance into the trust companies, he looked up into the banks. So they have escaped scrutiny, and there's big money in them. The banks are the only big things left."

A WARNING TO THE UNITED STATES.

The great philosophical commentator on the laws of England, William Blackstone, has said: "As the world goes, the forms of justice are apt to become instruments of oppression in the hands of the avaricious, the proud and strong. These three always lie in wait to oppress the poor, the humble and the weak, and their choicest instruments are those legal forms and institutions that are necessary to society."

In the light of this warning I wish the American people to note what Senator Morgan stated in a speech before the Senate of the United States, September 29, 1893: "Never in the history of any government has such treatment of laws been found as in the despotism of the Secretaries of the Treasury, in conjunction with the National Banks, to trample out every law that stood in the way of their peculiar and pet theories, and their peculiar monopolistic advantages. This is a bold declaration; I will make it good against all comers. I challenge investigation of that statement upon the law and practice of the Government. They pay no regard to the statutes. The Sherman act was perverted, absolutely perverted, construed away. Construction will do anything with the rights of any man who will submit to it. The worst tyrannies that have ever been in this world were the results of false construction, eating, like a cancer, from point to point and step by step, sapping nerve after nerve of vitality, until it finally attacks the citadel and destroys the victim. Let us have the truth,

the honest truth. If constructions are to be made, let them be made in favor of the people and not against them; in favor of right and life and liberty, and not in the direction of tyranny."

In the light of this warning I desire to call the earnest attention of the people to what is now being accomplished by false construction of the last pernicious law passed by Congress affecting the money system, known as the Aldrich-Vreeland Emergency Currency Bill, H. R. 21871.

In the first place this Bill puts the people absolutely at the mercy of the banking corporations. They can now contract the currency, and bring on panics; and while the people are unable to get money at any price these institutions can put up anything as security, from bonds down to one name paper, and, simply by endorsing it, have $500,000,000 in cash turned over to them in this new currency, according to the recent ruling of the Acting Secretary of the United States Treasury, A. Piatt Andrew, also Special Assistant to the National Monetary Commission.

The law reads—"The term 'commercial paper' shall be held to include only notes representing commercial transactions, which when accepted by the Association shall bear the names of at least two responsible parties and have not exceeding four months to run."

"These requirements will be satisfactorily met by single name paper arising from actual commercial transactions if endorsed by the bank desiring additional currency." (Ruling of the Acting Secretary of the United States Treasury.)

This would put through notes signed by employees of

corporations, dummies, and promoters of all kinds of schemes, by simply stating that they "represented actual commercial transactions."

Origin and Purpose of Bill H. R. 21871.

It should be clearly borne in mind that the panic of 1907 occurred under the present national banking system. The Government or the people had entrusted it with issuing $603,788,690 of its credit money, national bank notes, and it was in absolute control of the currency of the country.

At this time Congress and the people realized the utter failure of the banking system which caused the loss of untold millions, the enforced idleness of two million workmen, and the practical suspension of the business of the United States. This condition forced Congress to face the money question again.

As heretofore in all legislation on money Congress was afraid, unwilling, or unable to determine upon any definite or permanent plan. After weeks of debate on a Bill incubated by the Finance Committee of the Senate after many visits of its Chairman, Aldrich, to New York, conferring with J. P. Morgan, *et al.*, it was practically killed in the Senate. Yet in the last two days of the session of Congress a worse Bill was whipped into shape and Senator Aldrich and his followers crowded it through Congress as being only an "Emergency Currency Bill." And as an assurance of this, the National Monetary Commission was created in the same Bill, to report to Congress a definite plan for a permanent monetary system for the United States.

This was done May 30, 1908, and the last section of the Bill provides, "That this Act shall expire by limitation on the thirtieth day of June, 1914." Therefore in a little over three years all its provisions should become null and void. Nevertheless I will show that by false construction and the overt acts of the officials of the United States Treasury it is now being made the basis of a permanent money system, whereby an absolute monopoly is being created in favor of banking corporations over the money system of this country.

As the provisions of this Act would vitally affect the people I will copy and refer to the important sections of it.

[H. R. 21871]

An Act to Amend the National Banking Laws.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That *national banking associations,* each having an unimpaired capital and a surplus of not less than twenty per centum, *not less than ten in number,* having an aggregate capital and surplus of at *least five millions of dollars,* may form voluntary associations to be *designated as national currency associations.* The banks uniting to form such association shall, by their presidents or vice-presidents, acting under authority from the board of directors, make and file with the Secretary of the Treasury a certificate setting forth the names of the *banks composing the association,* the principal place of business of the association, and the *name of the association,* which name shall be subject to

the approval of the Secretary of the Treasury. Upon the filing of such certificate *the associated banks therein named shall become a body corporate,* and by *the name so designated* and approved may *sue and be sued* and exercise the powers of a body corporate for the purposes hereinafter mentioned.

For the purpose of obtaining *such additional circulation,* any bank belonging to any national currency association, having circulating notes outstanding secured by the deposit of bonds of the United States to an amount not less than forty per centum of its capital stock, and which has its capital unimpaired and a surplus of not less than twenty per centum, *may deposit with and transfer to the association, in trust* for the United States, for the purpose hereinafter provided, such of the securities above mentioned as may be satisfactory to the *board of the association.* The *officers* of the *association* may thereupon, *in behalf of such bank,* make application to the Comptroller of the Currency *for an issue of additional circulating notes* to an amount not exceeding seventy-five per centum of the cash value of the securities or commercial paper so deposited. The Comptroller of the Currency shall immediately transmit such application to the Secretary of the Treasury with such recommendation as he thinks proper, and if, in the judgment of the Secretary of the Treasury, *business conditions* in the *locality demand additional circulation,* and if he be satisfied with the character and value of the securities proposed and that a lien in favor of the United States *on the securities so deposited and on the assets of the banks composing the association* will be amply sufficient for the protection of the United States, he may direct an issue of additional circulating *notes to the association, on*

behalf of such bank, to an amount in his discretion, not, however, exceeding seventy-five per centum of the cash value of the securities so deposited.

"The *banks* and the *assets* of *all banks* belonging to the *association* shall be jointly and severally liable to the United States for the redemption of such additional circulation.

"Sec. 5172. In order to furnish suitable notes for circulation, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved, in the best manner to guard against counterfeiting and fraudulent alterations, and shall have printed therefrom and numbered, such quantity of circulating notes, in blank, of the denominations of five dollars, ten dollars, twenty dollars, fifty dollars, one hundred dollars, five hundred dollars, one thousand dollars, and ten thousand dollars, as may be required to supply *the associations entitled to receive the same.* Such notes shall state upon their face that they are secured by United States bonds or other securities, certified by the written or engraved signatures of the Treasurer and Register and by the imprint of the seal of the Treasury. They shall also express upon *their face the promise of the associations receiving* the same to pay on demand, attested by the signature of the president or vice-president and cashier."

If the English language means anything this Act of Congress provided for the organization of banking associations to take charge of and become responsible for this *emergency* currency when issued a. provided in the *law,* and makes this doubly plain by the words, "Not less than

ten in number, having an aggregate capital and surplus of *at least five million dollars.*"

And on page two of the Act, " The banks and assets of all banks belonging to the association shall be jointly and severally liable to the United States for the redemption of such additional circulation."

" The affairs of the association shall be managed by *one representative from each bank.*"

Thus the law requires the combined assets of at least ten banks to be pledged in order to protect the people against this currency or the redemption of these notes—promises to pay issued upon their assets.

Without requiring compliance with this law of Congress the United States Treasury has issued and delivered to individual national banks over $500,000,000 of this new currency with the words " Secured by United States Bonds or other Securities " and intends to replace the entire amount of National Bank Notes outstanding as soon as possible by the substitution of these new notes, the result being that $689,920,074 of these notes are being injected into the monetary system of the United States *without authority of law* with a lie inscribed upon their face—" Secured by United States Bonds or other Securities." Yet they are designated " National Currency " and substituted for National Bank Notes secured by Government Bonds alone.

Thus promises to pay emitted by banks of issue secured upon miscellaneous assets of these banking corporations are being imbedded into our money system by false construction. If this is not their purpose, where is there any provision or way of getting these debased notes out of the

currency system? The law provided that when these notes were *properly issued in an emergency* they shall be taxed as high as ten per cent. in order to retire them. Nevertheless the notes are now being issued by hundred of millions in substitution of national bank notes, and not subjected to any tax to retire them.

In addition to the $689,920,074 already issued to national banks, with the inscription upon each note, "National Currency—Secured by United States Bonds or other Securities," I am informed at the United States Treasury that they have ready to issue $500,000,000 more of these notes with this inscription on them in case of emergency.

This would make a total issue of this currency of $1,189,920,074.

Yet the Act itself states, "*That there shall* not be outstanding at any time circulating notes *issued under the provisions of this act* to an amount of *more than five hundred million dollars.*" By a careful study of this Bill it will be seen that its promoters, with the coöperation of the United States Treasury and its false construction of this law, are planning to establish banks of issue in this country permanently.

It is now only necessary for these banking interests to contract the currency, attribute the immediate business depression that will follow to the prospects of tariff reduction by a Democratic Congress, call a 5 per cent. payment on demand loans, and the emergency currency can be brought out by an enforced panic. When once this currency, "secured by United States Bonds or other securities," is issued and imbedded into the money system, who will have the courage to force its retirement?

The creators of this law will only have to pass an amendment to this Act as now construed by the United States Treasury, making it permanent and relieving this currency issue from taxation and raise the old cry for the retirement of United States notes by the substitution of this $500,000,000 of currency issued by banking corporations, "secured by United States bonds and other securities." This purpose is disclosed in the 5214th Section of this Bill—"The taxes received on circulating notes secured otherwise than by bonds of the United States shall be paid into the Division of Redemption of the Treasury and credited and added to the reserve fund held for the redemption of United States and other notes."

Thus will be accomplished by stealth in an Emergency Currency Bill that which these banking corporations have failed to accomplish in the open.

The banking interests have spent years of effort to accomplish the following ends, which Congress has time and again refused to grant:

1. The issue of asset currency and its control by National Banking Corporations.

2. The retirement of United States notes with asset currency.

3. The power to be given national banks to retire an unlimited amount of lawful money or national bank notes from circulation (heretofore restricted by law to nine million during any calendar month), this would practically mean unlimited expansion and contraction of the currency by banking corporations.

4. The right to issue notes to the full amount of the capital and surplus of national banks.

5. The creation of national banks of issue in blocks

of ten—credit money issued on the assets of banks from bonds down to one name paper—as per ruling of the Acting Secretary of the Treasury, A. Piatt Andrew.

By a gentlemen's agreement, *that proofless conspiracy,* these national banking associations can be unified in their actions—or later merged into a holding bank to be known as a "Central Bank of Issue" or "Reserve Association of America." The English System, with an American name, just the same.

All this can be accomplished by a simple amendment repealing the tax and time limitations on this Act as now construed by the Secretary of the United States Treasury.

While an entire revolution of a permanent character is being wrought in our money system through an alleged Emergency Currency Bill affecting the welfare of over ninety million people in this country, their representatives in Congress seem to be interesting themselves mainly in the same old farce of who is going to be the next President of the United States, not realizing that no President representing the people can be elected until the control of the money system is taken from corporations and lodged in Congress as provided by the constitution.

After over two years of labor and reflection Senator Aldrich, the Chairman of this Monetary Commission, vouchsafed to the American people the following profound conclusions, and you will notice that money or cash is entirely left out of consideration, and he presents a faith cure pure and simple, and it is only necessary for us to become as little children and have confidence.

Yet this apparently harmless piece of sophistry is most significant when considered in connection with what

is being done under his alleged Emergency Currency Bill which is now a law.

To quote Mr. Aldrich: "Credit furnishes a vital element in all healthy economic life. Credit is based on confidence; and confidence in a monetary system rests upon belief in the strength, stability, and efficiency of financial institutions.

"To secure an organization of capital and credit by which confidence can be firmly established and credit maintained under all circumstances and conditions, is the task committed to the National Monetary Commission."

"The slightest tinge of partisanship would destroy any plan they might suggest."

"Any plan which for an instant permitted of political control hereafter of any of the great functions of the organization which we might suggest would be fatal."

In other words the American people can exercise freedom of thought on all other subjects necessary to self-government. Yea, more than that, they can doubt the evidences of Christianity and the salvation of their immortal souls, but, I, Aldrich, inspired by the financial powers that be, will create and endow you with a banking system so sacred in its character and functions that no American should profane it by an independent thought.

Yet the people through their sovereign power the Congress of the United States are asked to endorse this heterogeneous mass of promises to pay issued by banking corporations and obligate themselves to redeem it all in gold. It also being an endless chain by which gold can be taken from the Treasury, and millions of bonds forced upon the people to redeem these notes.

It makes no difference whether it is called an "Emergency Currency Bill," "Banking Associations," "A Central Bank," or the "Reserve Association of America," it is the same old thing, credit money issued by banking corporations redeemable in gold.

A Monopoly Over Money by Banks.

A few Government officials with high sounding titles may be added to the management of the "Reserve Association of America" in an attempt to make the people think they are represented, and thus differentiate the scheme a little from the Bank of England, of which it is an imitation.

Those back of Aldrich formulating this gigantic credit money system know from past experience they have no trouble with Government officials—even the President of the United States can not under present conditions afford to be unfriendly to those controlling the banking interests of the country.

As a climax it is now declared by Aldrich, the stalking horse and spokesman of the moneyed and corporate interests, that such a money system should be put forever beyond the control of the people of this Republic.

I mistake the temper and independent intelligence of the American people if they continue to submit to this imposition. This money question can no longer be shrouded in mystery, it is now out in the open, and before the people. Each Representative in Congress will have to assume his individual responsibility to the people, and *stand* or *fall* by his record.

PRESENT MONEY SYSTEM AND SO-CALLED BANKERS RESPONSIBLE.

The history of these men in the United States proves that they started in the interest of and under the direction and domination of the English house of Rothschild, dealers in debts and money—and, as their American correspondents, the houses of Belmont, Morgan, *et al.,* received their education and instruction from them, until, at last they have become the greatest plunderers of the people the world has ever known.

The men who have manufactured the debts on the railroads and resources of the United States are not bankers. They are creators of false promises, defrauding the living, capitalizing the future, and placing mortgages upon the unborn children of this country.

Under an evil money system, and in *violation* of the *law,* banking and industrial corporations, really in partnership, one with the other, have caused the issue of stocks and bonds upon the railroads and industrial resources until it is now seriously suggested that the fundamental principles of the American Constitution must be violated, and our form of government changed in order to protect the fabulous amount of watered securities dishonestly issued by and through these corporations.

The time of the voters is taken up during each campaign with furious debates over all kinds of issues except the most important one, a Sound Money System. In the meanwhile, Presidential candidates are syndicated by the

monied interests. There is no patriotism in these men, now controlling the politics and policies of the country. It is a cold-blooded, far-seeing, avaricious, and systematic greed for wealth and the power that goes with it. What do these men care for political creeds? Their maxim is, *Let us issue and control the money supply, and manage the United States Treasury, and we care not what political party is in power.*

The question now is, how much longer will the intelligence of the American people be diverted from this vital question by the politicians and their political theories, striving after shadows while losing the substance?

PRESIDENT TAFT AND GOLD.

The old fallacy that the material *gold,* the *metal,* constitutes the standard of value of other things, not only perverts our monetary system but is now being made a scape-goat for the present high prices.

President Taft in his Lincoln dinner speech, before the Republican Club in New York, February 12, 1910, stated, "The reason for the rise in the cost of necessities can easily be traced to the increase in our measure of values, the *precious metal gold.*"

This is a serious blunder for the President of the United States to make upon an economic question of such vital importance to the people.

He does not seem to recognize the self-evident fact that it is the volume of money that makes the standard of value and not the "precious metal gold."

And even if it was, there is no such increase of gold to be found, if you take into consideration the increase of population and national wealth of this country or the world.

Now let us locate this gold in the United States, the mysterious effects of which are so wonderful as to account for the "rise in the cost of necessities" of all the people in the United States. By analyzing the following table from the Report of the Comptroller of the Currency, 1909, page 59, "Comparative Statement Relative to Circulation (of money), November 2, 1908, and November 1, 1909," it will be seen that there was $23,328,287 less gold in the

currency system of the United States in 1909 than in 1908, or a decline of $23,328,287 in gold.

REPORT OF THE COMPTROLLER OF THE CURRENCY, NOV. 1, 1909, page 59.

	Money in Circulation:	
	Nov. 2, 1908.	Nov. 1, 1909.
Gold coin (bullion in Treasury)	$610,060,562	$598,773,175
Gold certificates	807,246,389	795,205,489
Standard silver dollars	74,740,245	74,383,857
Silver certificates	483,899,842	481,794,889
Subsidiary silver	131,663,701	142,324,038
Treasury notes of 1890	4,691,225	4,021,535
United States notes	342,994,056	342,179,962
National-bank notes	643,202,001	685,996,112
	$3,098,498,021	$3,124,679,057

In this table it is shown that the total amount of money November 1, 1909, was $3,124,679,057, of which only $1,393,978,664 is gold, and most of it held as a reserve and not in circulation.

Is it contended by the President that this $1,393,978,664 of gold (practically out of circulation) is the cause of the rise in the cost of "necessities of the American people," and that the credit money amounting to $1,730,700,353 has nothing to do with it, or the trust combinations, that every intelligent man knows are now fixing the price to the consumer, of the things they control.

REPORT OF THE DIRECTOR OF THE MINT, 1909, page 81.

WORLD'S COINAGE OF GOLD.

1906, gold coinage	$366,326,788
1907, gold coinage	411,803,902
1908, gold coinage	327,018,200

This shows a falling off in the coinage of gold in the world of $84,785,702 from 1907 to 1908.

The Report of the Director of the Mint, 1909, page 82, shows that in the year 1897, thirteen years ago, the coinage of gold was $437,722,992, which is $110,704,792 more than in the year 1908, whereas the range of prices of the necessities spoken of by President Taft, were in 1897 fully 33 per cent. lower than at present.

According to Bradstreet's index number, the most reliable in this country, the average prices rose in New York City from July 1, 1896, to January 10, 1910, 61.9 per cent.

The Report of the Minority Committee of the Senate, on Wages and prices of Commodities, June 23, 1910, page 31, gives the following:

> England being practically a free trade country would show more accurately the general level of the advances in the price of commodities of the world caused by the increased production of gold. The rise in prices appears to have been more than twice as great in the United States as in England.

The following table taken from the Report of the Director of the Mint for 1909, page 121, shows the annual increase in the world's production of gold from 1900 to 1908:

REPORT OF THE DIRECTOR OF THE MINT, PAGE 121. SHOWING YEARLY PRODUCT OF GOLD IN WORLD FOR THE YEARS 1900 TO 1909.

In 1900,	254,576,300				
In 1901,	260,992,900	......increase	6,416,600	...... 2.13	per cent.
In 1902,	296,737,600	......increase	35,744,700	14	per cent.
In 1903,	327,702,700	......increase	30,965,100	......10.5	per cent.
In 1904,	347,377,200	......increase	19,674,500	 6	per cent.
In 1905,	380,288,700	......increase	32,911,500	...... 8.25	per cent.
In 1906,	402,503,000	......increase	22,214,300	 6	per cent.
In 1907,	412,532,900	......increase	10,029,900	...... 2.5	per cent.
In 1908,	441,932,200	......increase	29,399,300	 7	per cent.
			187,355,900		

The average increase of the world's gold production for nine years (1900 to 1908 inclusive) is thus shown to be only 6 per cent.

The following figures show the movement of gold in the United States in 1908 and 1909:

REPORT OF THE DIRECTOR OF THE MINT, 1908, page 120.

Product of gold in the United States................		$94,560,000
Page 74. Gold exports	$67,707,915	
Page 75. Imports	6,200,218	
Net exports of gold	$61,507,697	
Pages 77–78. Gold used in the United States in the arts	$31,476,091	$92,983,788
	$92,983,788	$1,576,212

This shows that only $1,576,212 was left to be used as an addition to the supply of real money in the United States, and this does not take into the calculation the amount hoarded by the people of the United States.

REPORT OF THE DIRECTOR OF THE MINT, 1909.

Gold exports, 1909 calendar year	$132,880,821
Gold import, 1909	44,003,989
	$88,876,832
Gold used in the arts in the United States put at the same as for 1908	$31,476,091
Exported and consumed in arts by United States....	$120,352,923
Produced in the United States....................	99,232,200
Deficit	$21,020,723

The great value of the statement of this error by the President brings out in bold relief the admission on his part that an increase of the money metal causes "the rise in the cost of necessities." This brings the money metal gold squarely under the operation of the law of *demand* and *supply,* as stated by all the leading economists but not admitted by many politicians and bankers for reasons best known to themselves.

Apply this law of demand and supply to gold as a test and the so-called "gold standard" of value is destroyed. The tables herein shown prove that the gold in the world has increased only 6 per cent., while the *demand created* by the *increase* of *population* and *wealth* in the world has run far ahead of *this percentage,* that of the United States being 17 per cent. for population and 42 per cent. in wealth.

This demonstrates that although the demand has so greatly increased the value of gold itself as measured by other things has decreased 40 per cent. to 50 per cent. in value or purchasing power.

GREENBACKS, THE WORN OUT HOBBY OF THE GOLD MONOMETALLIST.

The Loan of July and August, 1861.

The act of July 17, 1861 (12 Statutes, 250), authorized the issue of $250,000,000 bonds, with interest at not exceeding 7 per centum per annum, redeemable after twenty years. The act of August 5, 1861 (12 Statutes, 316) authorized the issue of bonds, with interest at 6 per centum per annum, payable after twenty years from date, in exchange for 7–30 notes issued under the act of July 17, 1861. (Report, Secretary of the Treasury, 1909, page 70.)

Legal-Tender Notes.

The act of February 25, 1862 (12 Statutes, 345) authorized the issue of $150,000,000 United States notes, not bearing interest, payable to bearer at the Treasury of the United States, and of such denominations, not less than five dollars, as the Secretary of the Treasury might deem expedient, $50,000,000 to be applied to the redemption of demand notes authorized by the act of July 17, 1861; these notes to be a legal-tender in payment of all debts, public and private, within the United States, except duties on imports and interest on the public debt, and to be exchangeable for 6 per cent. United States bonds. The act of July 11, 1862 (12 Statutes, 532), authorized an additional issue of $150,000,000 of such denominations as the Secretary of the Treasury might deem expedient,

but no such note should be for a fractional part of a dollar and not more $35,000,000 of a lower denomination than five dollars; these notes to be a legal-tender as before authorized. The act of March 3, 1863 (12 Statutes, 701), authorized an additional issue of $150,000,000 of such denominations, not less than one dollar, as the Secretary of the Treasury might prescribe; which notes were made a legal-tender as before authorized. The same act limited the time in which the Treasury notes might be exchanged for United States bonds to July 1, 1863. The amount of notes authorized by this act were to be in lieu of $100,000,000 authorized by the resolution of January 17, 1863 (12 Statutes, 822). The act of May 31, 1878 (20 Statutes, 87), provides that no more of the United States legal-tender notes shall be cancelled or retired, and that when any of said notes are redeemed or received into the Treasury under any law, from any source whatever, and shall belong to the United States, they shall not be retired, cancelled, or destroyed, but shall be reissued and paid out again, and kept in circulation.

If the history of the so-called greenbacks will be carefully examined, it will be found that so long as they were redeemable in Government bonds, their lawful or full legal-tender money-value was destroyed. It at the same time offered the opportunity to the bond buyers to depress their value, purchase them with gold, then to exchange them for United States bonds paying 6 per cent. interest.

The money mongers thus made a profit on the greenbacks by purchasing them for less than par, then by using them at par in the exchange for 6 per cent. United States bonds, which later went up in value as high as $1.20.

Such is the history of the greenbacks up to the act of May, 1878, which provided "that no more of the United States legal-tender notes (greenbacks) shall be cancelled or retired, and that when any of said notes are redeemed or received into the Treasury under any law from any source whatever and shall belong to the United States, they shall not be retired, cancelled or destroyed, but shall be reissued and paid out again and kept in circulation."

These notes were never full legal-tender, *lawful money* of the United States.

Their legal-tender or money value was limited by the words, "These notes to be legal tender in payment of all debts, public and private within the United States, except duties on imports and interest on the public debt."

Nevertheless, with this limitation on them, since the act of May, 1878, making them a part of the currency system of this country and to circulate as money, they have been at par with gold in the United States and now bring a premium over gold in Europe, whereas, when redeemable in 6 per cent. United States bonds they were below par. Can there be a greater argument in favor of full legal-tender dollars issued by the United States over a bond-secured or asset currency?

The term of "greenbacks" has been used successfully to frighten timid Statesmen from expressing their independent convictions on this money question, while the opportunist and time servers have assumed a position of high respectability, proclaiming they were opposed to fiat money and greenbacks—a very convenient way of hiding their absolute ignorance of the subject.

Greenbacks.

The value of money depends upon the existing sovereignty and wealth of a country. When both are in jeopardy all values depreciate. Are the free-thinking people of this great republic to be longer misled and frightened by these financial ghost stories about "greenbacks" kept alive by the money mongers and their would-be respectable satellites?

EXCHANGE.

Domestic Exchange.

The frequent movements of money from the banks of the West and South to the East (chiefly New York City) and again back to the West and South during the crop movement period, has often caused much disturbance to the money market, its effects being felt with serious distress on the New York Stock Exchange, being the greatest borrowers, and also extending to commercial circles and even to foreign exchange, and the movement of gold to and from this country.

Out of the necessity of settling balances between different cities arises what is known as rate of exchange. At Chicago or New Orleans exchange upon New York may be at par at one time and at a discount or premium at another, the smaller places making their settlements in and through the larger cities. When this goes so high as to reach the costs of sending the cash, then the currency will be sent by express in settlement of the balance due, rather than have the premium advanced.

Foreign Exchange.

Foreign bills of exchange, like domestic exchange are simple drafts drawn by a person or a bank in one country, upon a person or a bank in another country, and are used in making payments in transactions between parties in foreign countries and in international financial transactions.

Only a few banking institutions engaged in domestic

business draw foreign bills or trade in them, but any bank will take them from its customers selling them to foreign banking houses at the current rate.

In commercial and financial dealings between foreign centres, as the United States and Great Britain, for example, there are constantly many payments to be made on both sides. These are generally effected by transfers of credit from one side to the other and only balances are finally paid in money; so instead of sending money back and forth, the larger part of these transactions are set off against each other and the balances to be paid bear a very small proportion to the bulk of the trade operation.

To quote Conant: "Stripped of technicalities, the use of bills of exchange serves a similar purpose to the use of checks in obviating the necessity for transferring money. It is a method of charging off obligations of persons in different nations to one another just as banking credits reduce to a minimum the transfer of actual money."

Page 231. "The banker, by delaying the offer of bills for sale until there is a scarcity, is able to obtain a price approaching the gold export point; by delaying purchase of bills until there is a manifest excess, he is able to purchase at a point approaching the gold import.

"If at the time he sells his bill at a high price he calculates correctly the time when he will be able to buy at a low price, he makes a profit in excess of the direct profit represented by the cost of shipping gold.

Page 223. "But the persons who import goods from Europe are not usually the same as those who export goods to Europe, and those to whom goods are exported are not the same as those from whom goods are bought.

"The bill of exchange, therefore, comes into use as a means of transferring titles to money without the physical delivery of it. What is required *ultimately* by the *creditor* is *payment* in *the money of his own country.* The title to such money is what the debtor buys through the process of foreign exchange. In the words of Georges-Levy, exchange is 'the operation which transforms the money of one country into that of another country.'

Page 224. "Bills of exchange, being a substitute for money in the settlement of international balances, are subject to the condition governing other commodities—the rule of supply and demand. Such transactions are called arbitrage of exchange.

Page 236. "The development of the ocean cable has made possible a method of transferring money and conducting arbitrage operations which dispenses with the direct use of bills of exchange. This method is thus described by Bolles: 'Within a few years the practice has arisen of transferring money by telegraph, or, as it is termed by the newspapers, 'cable transfer.' By this method a merchant who desires to ship wheat to London can complete the transaction in a few hours. He can ship the wheat, telegraph the fact to the consignee at London, obtain particulars concerning the conditions of the market, and, if he thinks best, have the wheat sold at once, 'to arrive' and to remit the proceeds through a London banker. A bill does not appear at all in the transaction. The amount of business done in this manner has materially reduced the volume of bills in some places. In the Eastern trade with London, in which competition is exceedingly keen and the margin of profit consequently small, the telegraphic transfer-system has been in use for several

years. The amount of cable transfer between this country and European countries is constantly increasing.

Page 232. "A high rate in one centre as compared with a low one in another will lead bankers to buy or sell to change their charges according to the influence of the rates upon final profits. A New York banker who has an open credit in Europe will take advantage of high interest rates in New York to sell bills, other conditions being favorable, up to the limit of his credit. He will do this because the money received for the bills sold can be loaned in the market at the high rate of discount which prevails there. He will have to pay for the use of the money only the rate of discount in the market on which the bills are drawn, plus perhaps a small commission, so that there will be a profit amounting to the difference in the rates. This profit will go to the banker who sells the bills or will be divided between him and the institution on which they are drawn, according to the nature of the contract between them."

The notes of the Bank of England are generally acceptable on the Continent of Europe, because they afford one of the easiest means of making remittances to London. American legal-tender paper and bank-notes were accepted in much the same way in the Orient after American occupation of the Philippines, because they offered a more portable and convenient method of remittance to New York than gold coin or bullion.

GOLD THE DISTURBING ELEMENT IN FOREIGN EXCHANGE.

Whenever there is a strong demand for money in New York and the interest rate is high, while on the other hand

Europe being unable to use money at a high rate of interest owing to her resources being already developed, money will always be cheaper as measured by interest than in the United States. Therefore, when funds are plentiful in London, many "foreign loans" are made in New York, which means in effect borrowing in London.

The result is that we go heavily in debt to Europe on account of the scarcity of money here, and deplete the supply in London, lessening their purchasing power for the things we have to sell them, whereby we should get money instead of borrowing it. Manipulators of the money market can in this way increase borrowers at both ends of the line and keep up the interest rate and earning power of money.

These operations have direct effect upon the exchange market and create a movement of gold whenever profitable to them. When this movement of gold sets in the whole money fabric is dislocated and the entire business of both countries is injuriously affected, and when it assumes large proportions there occurs a world-wide depression.

The imaginary line of the ocean seems to be the only thing that keeps the intelligence of the people from destroying this curse to the business tranquillity of the world. At one time gold was used in this country to settle balances between New Orleans and New York. Who would think of returning to such a primitive and obsolete method? That is, paying express charges and insurance, and shipping gold from New Orleans to New York, instead of settling the balance by an exchange draft on New York and paying the rate of exchanges in cash.

GÖSCHEN ON EXCHANGE.

"Trade balances and exports are not paid for in gold, but the money of the country adjusted to the currency of the debtor country, or settled by interest-bearing public securities of same."

Page 58. "The basis of a settlement through a bill of exchange is the payment of a sum of money in one place in order to receive the equivalent at another.

"Credit is a very important element to be considered in the rate of exchange, and so notorious is this among those engaged in international trade that the price at which exporting houses can sell their foreign bills is looked upon as an unerring test of the credit which they enjoy among their neighbors."

In these transactions between exporting houses the people of the country generally have no interest—their individual credit is a thing among themselves and can be readily ascertained through the respective commercial agencies of the different countries or from the mercantile agency reports published therein.

"It is scarcely desirable to enter into further details as to the various artificial means and banking manœuvres by which those who speculate in exchange—that is to say, on the rise and fall of the prices for foreign bills—manage to influence or counteract what may be called the natural fluctuations.

"For instance, when specie is being exported, it is sometimes supposed to be merely what is called an exchange

operation undertaken by a certain class of speculators, whose business it is to make a profit out of the variations in the price of foreign bills at different moments, buying them when they are cheap and selling them at a profit and *sometimes sending bullion abroad to buy up bills on their own country,* if the prices should be temporarily below or touching specie point of exchange."

What becomes of the peoples' interests or legitimate business during this artificial and speculative process—as the state of the money market in New York effects all business in the United States under the present system?

Page 145–6. "Yet on one occasion, when the Bank of England's rate of discount was advanced to 8 per cent., the question was frequently asked: Is it likely that, if 7 per cent. failed to bring over the gold, such result will be attained by charging 1 per cent. more?

"The first few per cents. do little more than cover the possible expenses of the transmission of the bullion itself, a difference of 4 per cent. per annum on three months bills being necessary to cover 1 per cent. expenses, but as soon as the charges—or the risk of charges—which are really identical with what is really called loss in exchange, are covered, then every additional per cent. which is granted as discount becomes an actual and certain profit; and accordingly, if gold is required, the rate of discount must be advanced till that point is reached.

"To stop short of it may under some circumstances be nugatory. The balance of indebtedness, in its widest sense, is the most fundamental entering in a greater or

less degree into almost every case in which foreign exchanges are concerned."

"When the balance of indebtedness is the cause of the rate of exchange being against a country, the equilibrium can be restored only in two ways, the one being the increase of exports, the other an advance in the rate of interest (to attract money from other countries being one of the results of offering a very high rate of interest) or by offering a very high rate of interest, it will either be able to procure a prolongation of credit from its creditors, till in the natural course of things, by subsequent increase of exports, the balance is paid off, or it may induce third parties to make it a loan."

"Even in this case, when a country is actually spending beyond its means and when by borrowing it can only increase the evil, as being thus enabled to keep the real danger out of sight for a time, a very high value of money is, in a certain sense, most desirable, as by the action of the value of money on prices generally—according to the well-known principles which determine the relation between the two—a diminution of imports, and consequently of indebtedness, is likely to ensue."

"For there are two ways of settling every international transaction, either the creditor draws a bill on the debtor, or the debtor remits a bill to the creditor."

Pages 147–8. "The rise of the price of bills on any country is caused by the competition for the most ready

and most convenient vehicle for the transmission of capital, the competition itself being the result of a high rate of interest. A fall of the rate will cause a corresponding fall in the price of bills and, acting as it does with invariable force and being succeeded by invariable results, it is clear that there is no corrective of a drain of gold, and all its attendant consequences, more powerful and effectual than a rapid advance in the rate of discount. It is the only mode by which that which is on the point of being lost may be retained, or that which is actually gone may be replaced, and its natural effect is, not to produce a scarcity of money of which it can never be the cause, though often the consequence, but to remedy and correct this scarcity by offering a premium to the rest of the world to send their capital and money to the dearest market."

What becomes of the people during this process, as the invariable result is to advance the rate of interest on the people as well and make money scarce in the country losing the gold, the inevitable result being to depress and demoralize business?

"Thus at the close of our investigation we shall light on many of the most important questions which have lately been ventilated in monetary circles as to the effect of a high rate of interest in checking the efflux of gold, as to the power which foreign capitalists, holders of bills of exchange on England may exert over our money market as a result of these bills being all forced upon the money market for discount at once, instead of being gradually encashed as they mature."

"It was this desire to secure themselves money at any price which induced the merchants in New York to export every kind of produce, which normally, owing to the increase of the currency, would have risen in value in the States, to European markets, where prices were sure to fall, owing to the decreasing currency.

"The cost of the transmission of bullion is an addition of this nature, and therefore it is *contrary to the interest of the exporter and of the country to which he exports, that such an expense should have to be incurred.*"

BALANCE OF TRADE.

If the dominating class in this country, composed of bankers, financiers, promoters, and directors of the industrial corporations, had conspired to destroy the balance of trade the United States now has against the world, no better scheme could be devised to accomplish it than the present system.

1. The banking system controlling the money supply of the country, and the placing of loans, is controlled by these men and has been used to build up the industrial trusts that practically control the prices of most things used by the American people.

These bankers, co-operating with the promoters and officers of these large corporations, have loaded down the properties they represent with the largest burden of debt they could possibly put upon them, which carries with it a fixed charge upon the business, which is added to the cost of the things they furnish, and makes such a handicap upon their business that they cannot any longer meet fair, or foreign competition.

2. The tariff originally intended to protect infant industries is now used to protect the trusts, while they extort high prices from the people.

3. The effect of high prices here is to reduce our exports to foreign countries, increase our imports, thereby lessening our balance of trade at both ends of the transaction.

4. It is now estimated that interest and dividends paid on American securities held abroad amounts to about $225,000,000 annually.

5. These industrial corporations make what may be

called a "stage play" and advance the wages of a few thousand workmen, in order that they may meet the increased cost of living; then they advance the price of everything they control on 90,000,000 people to pay interest and dividends on inflated debts, a large and increasing percentage of which is being floated in foreign countries and constituting a permanent tax upon the American people.

6. The inevitable effect being to steadily reduce our balance of trade against foreign countries by the payment of this large interest account. The repurchase of these American securities whenever the foreigner gets hard up and unloads them on the market, the money being sent over to pay for same, still further reduces our balance of trade against them.

It was a long time before the American citizen realized that the consumer paid the tariff—it being an indirect tax. Having learned this lesson he can plainly see that the proposed increase in the passenger and freight rates by the railroads of this country (and enjoined by the suit filed by the Government to protect the people) was primarily intended to pay dividends on watered stock and inflated debts (and to advance the prices of stock) held here and abroad, that such increase of freight rates would be added to the price of the thing when paid for by the ultimate consumer, and he would thereby be taxed to pay the interest and dividends on this watered stock and inflated debts created by bankers co-operating with so-called financiers and promoters, making large fortunes by creating millions of paper tokens of wealth out of nothing then listing them on stock exchanges and converting them into real money.

How long is this Government of the people going to allow this gigantic swindle to go on, eating like a virulent cancer at the vitals of the great natural resources of the country, and impoverishing its people while they are compelled to feed the disease?

And for what? In order that bankers and money lenders may dominate, millionaires increase, gamblers multiply, and in the final analysis the producers feed and support the non-producers and parasites.

If this is allowed to go on it is the beginning of the end. No real prosperity and contentment will exist. A universal unrest among our people is now being evidenced by the strikes and labor unions.

The following figures from the United States Report of the Department of Commerce and Labor, October, 1909, page 44, show the amount of exports from the United States from 1897 to 1908 inclusive, as follows:

Excess of Exports from the United States from 1897 to 1908, Inclusive:

Total Exports.		Excess Exports.	
1897......	$1,050,994	1897......	$286,264
1898......	1,231,482	1898......	615,432
1899......	1,227,023	1899......	529,875
1900......	1,394,484	1900......	544,543
1901......	1,487,765	1901......	664,593
1902......	1,381,720	1902......	478,399
1903......	1,420,141	1903......	394,422
1904......	1,460,827	1904......	469.740
1905......	1,518,562	1905......	401,049
1906......	1,743,864	1906......	517,302
1907......	1,880,851	1907......	446,430
1908......	1,860,773	1908......	666,431
	$17,658,486,000		$6,117,361,000

With this magnificent showing, the result of the work, energy, and enterprise of the real producers of this country, as applied to the greatest natural advantages ever known to any country, and in spite of much adverse legislation and non-enforcemet of laws passed by Congress to protect the people, they themselves have made the above showing that places the United States as the dominating force in the future financial affairs of the world.

Will the people of the United States allow this magnificent achievement to be made nugatory by the manipulation of our money system by the manufacturers of debts?

Tariff and Trust Combinations.

As a demonstration that this is being done I would call the attention of every producer and voter in this country to the latest figures given out by the Bureau of Statistics of the Department of Commerce and Labor, showing the total exports and imports for the fiscal year. This shows the most astonishing falling off in our balance of trade against foreign countries. The excess of exports over imports for the fiscal year just ended amounted to only $187,11,349 against $664,593,000 in 1901 and $666,-431,000 in 1908, the direct cause of this being the abnormal and artificially high prices of American products, and the large amount of interest paid on American securities held abroad.

THE BANK OF ENGLAND.

Reply of the governor of the Bank of England to our National Monetary Commission, 1910.

A. "The Bank of England regulates the conditions under which the trade of the country is carried on, and imposes a charge on the trade of the country for legitimate accommodations."

In order to show the relation of gold from an economic stand-point I will first trace it in England, recognized to be its stronghold. For England is more responsible for maintaining the so-called gold standard than all other countries. She opposed any departure from it in all the international conferences held in Europe. McLeod in his work on "History of Banking in England" page 18, states: "The Directors of the banks of England took alarm, and, as the Minister was in want of supply, they took advantage of the necessities to obtain a prolongation of their monopoly. The charter had still twelve years to run, but upon their advancing £3,000,000 ($15,000,000) without interest for six years Mr. Pitt agreed to renew it for twenty-one years from 1812. In 1800 an act to effect this was passed.

Statements of the Governor and Directors of the Bank of England in answer to questions of the American Monetary Commission, page 12, 1910.

A. "The government debt of £11,015,100 which appears as an asset in the issue department, is the balance which was outstanding in 1884 of amounts which had been

advanced to the Government and which, by the act of that year, the bank is empowered to include in the securities against which notes are issued."

Page 7. "The bank's exclusive privileges of banking continue subject to one year's notice and to repayment by the Government of the debt of £11,015,100—and all other public debt held by the bank at the time."

The original proprietors' capital in 1694 was £1,200,000 ($6,000,000), and has been increased at various times between 1694 and 1816, bringing the total up to £14,553,000 ($72,765,000), at which figures it still remains. "The increases in capital have mostly been for the purpose of advancing money to the Government. In 1816, when the last increase in the bank's capital took place, the Government debt due to the bank was more than the entire capital of the bank, £14,686,800" ($73,434,000).

Thus the money lenders placed in bondage the English Government and its people, and the greatest act of sovereignty, the right to issue money, passed into the absolute control of a private corporation known as "The Bank of England."

Q. "Has the Government any voice in the management of the bank or any interest in it through the ownership of shares?

A. "The Government has no voice in the management of the bank nor does it own any stock."

The Government cannot revoke the charter of this corporation until it pays all its obligations to the bank. The record will show that the debt due by the Government has increased from £11,015,100 to £14,686,800 and

is now going ahead of the increased capitalization of the bank. Therefore, the right of the Government to issue money has gone, so long as the Government is in debt to the Bank of England, and this will be the case indefinitely, as the national debt of the British Empire is $7,875,347,-645 (Statesman's Year Book, 1910) and the bank can increase its holdings at any time. She can, therefore, never expect to rid herself of the Bank of England, short of repudiation of her debt.

Statement of the Bank of England.

Notes issued		£53,364,645
Government debt £11,015,100	£11,015,100	
Other securities	7,434,900	
Gold coin and bullion	34,914,645	
		£53,364,645

This statement shows the entire gold coin and bullion held by "The Bank of England" is only £34,914,645, whereas its note issues alone amount to....£53,364,645 and its outstanding deposit liabilities.......£58,299,718

£111,664,463

Yet this bank poses as the guardian and protector of the so-called "gold standard."

The Union of London & Smith's Bank Limited. Interview with Sir Felix Schuster, Bart. (Governor). His Answers to the National Monetary Commission, 1910:

A. The total liabilities of the Joint Stock Banks in England and Wales would be about £700,000,000 ($3,-

500,000,000). Those of the United Kingdom about £900,000,000 ($4,500,000,000).

Q. Have you an idea of the amount of *cash gold* and *silver* in the banks of England?

A. Silver can be eliminated. It is used only as token money and legal reserve up to $2. I believe the mint made a census this June of the amount of *gold* held in England and has been asked to supply the figures, and has done so voluntarily, and I believe that amount exclusive of the Bank of England is £35,000,000.

Here is a country whose total *bank* obligations, payable on a gold basis, amount to $4,500,000,000, and the total amount of gold held by these banks for its payment is

The Bank of England "Gold"	£34,914,645	
The other banks in the United Kingdom, "Gold"	£35,000,000	
Total	£69,914,645	($349,573,225)

Does the United States propose to tie itself to such an absurdity as this, and pledge itself to gold payments, and maintain the value of gold for this purpose?

If 7¾ per cent. of this liability of $4,500,000,000 was made as a demand on gold it will take every dollar the banks hold in the United Kingdom and destroy the so-called gold standard of values. This all goes to show what an unmitigated fraud and delusion is this so-called "gold standard." England's bankers' reason for maintaining it is very easily discovered. She has the monopoly of issuing paper money, and gold is used as a pretext whereby credit money can be put out at interest by banking institutions. It enables the British owners of gold mines in

South Africa, and the banks of England, who are dealers in gold, to get 100 per cent. profit on the annual output of these gold mines, which amounted in 1908 to $261,389,000, according to reports of the Director of the Mint, August 1, 1910.

This is a clean profit of $130,186,244 a year to the owners and dealers in gold in England, which would vanish if the United States declined any longer to give it a fixed value in the money of the country. One experience of this kind should be enough for the United States.

England practically lost nothing on silver when demonetized, as she had none to speak of in her money system, or the banks of the United Kingdom. On the other hand, the United States has $725,550,073 of silver in its money system for which it paid 100 cents on the dollar, and which now shows a clean loss, since silver was demonetized, of $362,775,036, on this *metal* money.

As there can be no longer any doubt in the mind of those of average intelligence that the so-called "gold standard" is a snare and a delusion, and that gold will be demonetized, just as silver has been, it is of serious moment to consider the relative position of the bank of England's gold holdings and that of the United States.

The Bank of England gold coin and bullion £34,914,645 ($174,573,225). Fall in the price of gold when demonetized 50 per cent. Loss $87,286,612.

This is less than one year's profit on her gold output in South Africa, of $261,372,389, which shows a clean abnormal profit of $130,186,244 a year.

According to the report of the Director of the Mint, 1909, page 77: Estimated stock of gold in the United

States 1909, \$1,640,567,131. Less 50 per cent. when demonetized, making a clean loss to the United States of \$820,283,566.

England is developed and needs little additional money in her own industries. Therefore, all the money she accumulates from the United States from interest on American securities she reinvests in more American securities.

As it has been shown, England receives from South African gold mines annually \$261,372,389. This in ten years would amount to \$2,613,723,890, and used as a basis of *credit money* in other countries on the basis of loans four to one, would create debts amounting to \$10,454,895,560 upon which the people would pay interest.

The safety of a banking system, like that of any large structure, depends upon its foundation being broad and strong.

Apply this test to the so-called great banks of issue in England, France, and Germany.

In the bank of England we find the foundation consists of only £31,000,000 of gold and silver (January 7, 1909), with liabilities against it owed by the bank of over £94,000,000. (See page 77, Report of the Comptroller of the Currency for 1909.) The public debt of the British Empire for 1908–9 is \$7,875,347,645. (Statesman's Year Book, 1910.) On a gold basis, the gold in this so-called great bank of issue would not pay two cents on the dollar, or even redeem its own direct obligation for thirty-five cents on the dollar.

In the bank of France, we find the foundation consists of only £140.7 of gold (January 7, 1909) (if France is

to be treated as a gold standard country). (See page 76–7, Report of the Comptroller of the Currency, 1909.) National debt $6,077,930,000 (Statesman's Year Book, 1910.) Apply same figures as to percentage.

This is a purely practical question and the principles of ordinary business can be applied. Suppose, for instance, the American shippers were to send cotton, wheat, and corn to England to the amount of $200,000,000 and ask payment for it in gold. The English buyers would have to draw this gold out of the banks of England, where they have their money deposited. This demand alone would take all the gold now constituting her entire foundation or basis of credit as a gold standard country. If the banks of England refused to let their depositors have the gold to settle this account it would be a suspension of gold payment.

The only alternative the English debtor would have would be to bid the highest price in the open market for gold and under such circumstances he would not be able to get it in Europe. The result would be that American securities would be sold and the gold taken out of the banks and the United States Treasury, and a panic would ensue, causing the greatest loss to the people of this country, and the cotton, wheat, and corn sent to England by the American shipper would be paid for in American gold.

When Russia drew only $30,000,000 from deposits in England, it so depleted the reserves of banks as to threaten the whole credit structure of the United Kingdom.

I ask the American people to consider the burden of debt upon these countries, the interest upon which the

people have to pay, the principal of which is so large they never can expect to pay it off. I have been in these countries in recent years and studied their condition and consider the case a hopeless one. The burden of debt has carried the people down to a condition where they can no longer obtain the real comforts of life and they are living upon a lower level than was ever intended by the providence of God.

I would then ask the American people, after taking an inventory of their wealth, if they think it advisable to follow the example of these countries, where banks of issue flourish and the people go half fed and half clothed.

Shall we link the fortunes of this great country with so-called gold standard countries, mortgaged to such an extent that there is no equity of redemption left in them; and now staggering to a fall under a burden of debts which they no longer expect, or are able, to pay?

CENTRAL BANK OF ISSUE.

Central Banking System.

After the panic of 1907 Congress had to face and recognize the absolute failure of our "Monetary System."

After long and protracted debates on the subject Congress passed H. R. 21871, approved May 30, 1908, creating the present National Monetary Commission, for the following purpose:

"Sec. 17. That a Commission is hereby created, to be called the 'National Monetary Commission,' to be composed of nine members of the Senate, to be appointed by the Presiding Officer thereof, and nine members of the House of Representatives, to be appointed by the Speaker thereof; and any vacancy on the Commission shall be filled in the same manner as the original appointment."

"Sec. 18. That it shall be the duty of this Commission to inquire into and report to Congress at the earliest date practicable, what changes are necessary or desirable in the *monetary system* of the United States or in the laws relating to banking and currency."

On page 3 of his statement of "The Work of the National Monetary Commission," Senator Aldrich, the chairman of this Commission, construes his duties under this law as follows:

"Credit furnishes a vital element in all healthy economic life. Credit is based upon confidence; and confidence in a monetary system rests upon belief in the strength, stability, and efficiency of financial institutions. To se-

cure an organization of capital and credit by which confidence can be firmly established, and credit maintained under all circumstances and conditions, is the task committed to the National Monetary Commission."

The English language seems to have lost its meaning to those gentlemen with banking predilection. Monetary, means money, not national banks and promises to pay issued by banking corporations, organizations of capital or credit or of confidence games. I would refer to the Chairman of this Commission to the Century Dictionary, in order that *he* may know the meaning of the distinctive term designating the main duty of the "National *Monetary* Commission."

Century Dictionary.—"Monetary. Pertaining to money. Consisting of money.

"Monetary unit. The unit of currency. In the United States this is the gold dollar.

"The unit is the pound in the British Empire, the franc in France, the mark in Germany."

If Congress had intended that this Commission was to investigate banking systems and credit institutions only, it would have so directed, and designated it a "Banking and Credit Commission," for this purpose and not a "National *Monetary* Commission."

Upon an examination of all the publications issued by the "National Monetary Commission" it will be found that not one of them treats of the subject of money, but all of them are devoted to worn out banking systems—incorporated kaleidoscopic schemes—constructed so as to make the most money out of the people.

It's the old, old subterfuge, of diverting the people from the main issue while they perfect and carry out their preconceived plans. If this is not so, why are the people carried off on this wild goose chase after something that does not exist and never will? Viz., a banking corporation run in the interest of the people and not in the interest of the banks.

It is now the object of the dominating force back of the Chairman of this Commission to take the control of money entirely out of the hands of the people—mark carefully the statement made by Aldrich, November 10, 1910, the chief speaker at the annual meeting of the Academy of Political Science, in New York City:

"Any plan which for one instant permitted of political control hereafter of any of the great functions of the organization which we might suggest would be fatal. I realize this, and I think my associates on the commission will bear me out when I say that this is not a new thought on my part."

No one will accuse Senator Aldrich of this being a new thought on his part. It's as old as the banking business. There never was a time when they wanted any interference by the people with their handling and controlling of the money of a country.

Central Bank of Issue.

November 20, 1909. Frank A. Munsey in his Washington paper of above date, writes editorially as follows:

"Whatever may be thought of its purpose and tendency,

there can be no doubt that the currency commission, headed by Senator Aldrich, is getting together a vast store of financial information.

"If any criticism were to be made of the commission's work thus far it would be that the central bank argument seems to have the floor pretty much to itself. The authorities engaged in writing books and brochures, essays, and pamphlets are almost all representatives of the central bank view, and of experience with central bank administration.

"It may be that there are no other authorities worth quoting, but certainly in the United States there are some men of distinction who do not indorse this plan of currency reform for application to this country. It is, therefore, not beside the matter in hand to suggest that some of the respectable authorities on the other side ought to be heard from in the work of the commission.

"Senator Aldrich will make a mistake if he prepares a great library for the express purpose of elucidating the central bank plan. That seems the tendency of his work thus far. The greatest financial and banking authorities in the world have been set at writing books for the commission. The list of them is most imposing and justifies the belief that there will be tremendous value in the great collection of contemporaneous authority on the whole question involved. But just so certainly as the literary product of the commission gives evidence of a desire to lead public opinion, instead of illumine the subject fairly from all sides, just so surely will there be a prejudice aroused which will work to the injury of the plan and the disadvantage of all efforts at currency reform.

" It will be better for whatever plan Senator Aldrich has in mind if he keeps the country in the belief that he is fairly and open-mindedly presenting all the authorities on all sides and inviting the people to help in making a decision."

After Mr. Aldrich, Chairman of the Monetary Commission, swung around the European financial centres and then on a so-called educational trip through the West, giving them the result of his great researches, we read in the *New York Journal of Commerce,* November, 1909, the following concise and true criticism.

" Senator Aldrich has spent a week in the West dispensing palaver to business men and bankers in the chief cities in behalf of the Monetary Commission, and we know just as much now as we did before about his purposes in reforming the currency and banking system."

" We have the following which shows from what sources Mr. Aldrich is getting his information in Europe.

" GATHERING DATA FOR REPORT.

" *Paris.*—Senator Nelson W. Aldrich of Rhode Island and Prof. A. P. Andrew, who are at present in Paris gathering information for the report of the American Monetary Commission, are the recipients of much attention during their stay here. They have been dined by M. Pallain, governor of the Bank of France; M. Cochery, minister of finance, and the heads of several important French credit institutions and they have had a number of interviews with financial experts.

" Signor Canovai, Secretary of the Bank of Italy, has

come to Paris from Rome to submit his views on finance to the Americans.

" Senator Aldrich has repeatedly informed his friends here that the sole remaining ambition of his public life is to assist in endowing the United States with a financial system as solid as that of Great Britain or France."

" Special from Staff Correspondent. *Washington Evening Star.*

" *New York, September* 2.—Representative Vreeland of New York, Vice-Chairman of the Congressional Currency Commission, of which Senator Aldrich is chairman, made the following statement upon his return from Europe.

" ' The object of the visit was to obtain a more intimate knowledge of the workings of the banking and currency systems of the great commercial countries abroad than it is possible to obtain from a book or printed report.

" ' Under the laws of England, Germany, and France, there is no government supervision or inspection of banks, nor are they obliged by law to make regular and detailed reports, as in the United States, hence the inside knowledge of their workings could only be obtained from their managers.

" Good Treatment in London.

" ' The commission was treated with the greatest kindness and cordiality by the great bankers of London. The Governor of the Bank of England and two of his managing directors came before the commission and submitted to interrogatories in detail in relation to the workings of their system. The managers of four or five of the great

joint stock banks in London also came before the commission and gave freely and in great detail all the information desired. The Commission employed Professor Foxwell, a noted English economist upon banking and financial subjects, to prepare a treatise showing the conditions which led to the adoption of the act of 1884, upon which the present English system is based.' "

[In this connection it is interesting to read Professor H. S. Foxwell's comment on banks.] He states:

"I remember, too, once lecturing in the city of London on markets, and showing that their true function was to level fluctuations of price and give steady continuous values. An organ of the banking class held this up to scorn. 'We live by fluctuations,' they exclaimed. It was much as if a doctor had said it was not his business to remove disease, because he lived by disease, and it shows the narrow, greedy temper which is apt to be induced by the habit of dealing in money."

"The commission went thoroughly into the question of branch banking, of reserves, of the workings of their currency system and other important details relating to the subject. The bankers of Great Britain are greatly interested in the American situation because the money panic in the United States of October, 1907 put a very severe strain upon the Bank of England and the great banks of London. Similar interest in our monetary conditions exists also in Berlin and Paris.

"We found the bankers there also willing to give us every detail of information which we considered important. The Governor of the Bank of France gave the commission a whole afternoon in answering all questions asked con-

cerning the French system, and particularly that of the great national bank. We found that both the English and French bankers are thoroughly satisfied with their banking and currency systems.

"'The commission received many invitations to dinner and other social functions in London, but decided to decline all of them except the dinner given by Ambassador Reid at Dorchester House, which was attended by the Governor of the Bank of England, Baron Rothschild, and other great London bankers.

"'In Paris the subcommittee dined with Ambassador White at his summer place, about twenty-five miles from Paris. They also accepted an invitation to luncheon with the Governor of the Bank of France. Ambassador White took great interest in the work of the commission in Paris, and was of the greatest assistance to us on account of his knowledge of the French language, which he speaks like a Parisian. He attended the meetings of the Commission and was of great assistance in getting up an accurate interpretation of the answers of the French bankers.'"

Do these gentlemen hear from or come in contact at all with the producing or debtor class of these countries? The toiling millions whose welfare constitutes the very existence of these nations and who carry the burden of debt and interest?

The first test of a government or a money system is the condition of the people where it is applied. Do you hear the chairman of this commission saying anything about the economic condition of the people in these countries from whom he is trying to borrow a central bank scheme?

First let him apply to these "Banks of Issue" countries the real test of their value, for "By their fruits ye shall know them."

EFFECTS OF THE LOSS OF GOLD UPON EUROPEAN BANKS OF ISSUE.

I quote from Henry B. Russel's book on International Monetary Conferences, page 251. "Hardly had the conference of 1878 closed, when European governments began to be seriously alarmed over a difficulty to acquire and to keep gold in the *banks of issue.*

"They were painfully aware that under prevailing commercial conditions a succession of bad harvests at home and good ones in America would necessitate large payments to us in gold, unless they could increase their exports of merchandise.

"The *Bullionist* made the following statement at this time, 'Of late we have had a very sharp reminder, in our inability to attract gold to our shores, that an ounce of fact is more potent than a pound of theory. At a time *money* here has grown rapidly dearer, and is double in value what it is in some other European centres, we find ourselves unable to bring here the supply of capital of which we so greatly stand in need. The truth is, our indebtedness to other countries has assumed such large proportion that we are no longer in a position to command supplies of *gold* as we once could.'

"Fortunately for them, American railroad stocks, a good many of which were held in England, advanced rapidly in value, and foreign investors made large sales to realize the profits. This helped England to balance

accounts and enabled the bank to maintain its reserve at this time."

Thus America's securities paid for America's breadstuffs and carried England's "Great Central Bank of Issue" through this crisis.

The same writer says on pages 260–1: "The bank was obliged to maintain a high rate of discount, although money was so plenty that it could be borrowed on good securities in the market as low as ½ per cent. per annum. (Letter of Conant to Secretary Sherman, September 20, 1879.)" This shows great industrial depression in a great "Central Bank of Issue" country, when money goes begging at ½ per cent. per year and a high rate of discount is maintained in order simply to protect the gold held by the bank of issue, the effect being that while money is cheap on the market it is artificially made dear by the bank, in order to keep its gold. This is enough to condemn the system and gold as the basis upon which to issue credit money.

Alfred E. Lee, Consul at Frankfort, in a communication to this Government in November, in speaking of the advance of discount rates of the Bank of France to three and the bank of Germany to 4 per cent. said, "Yet the purchases of grain are still far from being ended and those of cotton are just beginning; what the result of all this will be can only be guessed, but intelligent men are not wanting who believe that the Bank of France, England, and Germany may be obliged to advance their rate to 6 per cent., or even higher, and that a financial crisis may be impending that will convulse all Europe."

Here is a commentary on the central bank of issue system, that in order to pay for the necessaries of life to feed its people, the solvency of these great banks of issue is in constant jeopardy, and at the same time a financial absurdity is shown sufficient to condemn this "Central Bank System" for all time. These banks, in order to protect their gold reserves, advanced their discount rates to 5 and 6 per cent., yet, according to Conant's letter to Secretary Sherman, "The Bank was obliged to maintain a high rate of discount, although money was so plenty that it could be borrowed on good security as low as ½ per cent. per annum." (Russell, page 261—"International Monetary Conferences.")

In the monetary conference of 1881, De Normandie, Governor of the Bank of France, delivered a learned address. On the historical side he maintained that institutions of credit, banks of issue, had had a much less severe ordeal in bimetallic than in monometallic countries.

He enumerated the number of times in fifty years that the Bank of England had been compelled to appeal to the Bank of France for help while the latter had always been able to maintain a *steadier* and *lower* rate of *discount*. In forty-five years, from 1837 to 1881, the Bank of France had altered its discount rate only 100 times, while that of the Bank of England had changed 292 times. I quote from the statement made by Allard, delegate to the International Conference of 1892. In his speech before the conference and after severely criticising the conclusions which Rothschild had advanced in behalf of the gold standard for England, he quoted many eminent Englishmen to show that the system had been in many *ways dis-*

astrous to *their country,* reminding Rothschild that the monometallic Bank of England, of which he was a director, had been compelled to appeal for the third time to the bimetallic Bank of France to be saved from a crisis, and said the key to the unfortunate situation was in England, and her delegates should turn to their government and endeavor to obtain better terms than Rothschild had offered and which he considered would be entirely inadequate for the existing condition of things. He then stated, "If a terrible monetary panic should follow [a further and sudden fall of silver due to] the breaking up of the conference without arriving at any definite result, as *Rothschild* had *predicted* in urging his plan, it would *appear first* at the doors of the *banks of England* and it was, therefore, for England to come forward with some proposition that would effect a real remedy."

Russell: "Up to July 1, 1891, the United States Government had put out some $50,000,000 in Treasury notes, but in the same period about $65,000,000 of gold was exported. This was the most serious loss we have yet experienced, but, as in the two previous years, it was shipped mostly when the rate of exchange made *shipments* a *losing operation.* The heavy losses in Europe compelled the banks to *get gold* at *any price.* The banks of England paid a premium on *American dollars,* and it advanced the price *several times.* The new treasury notes affected the situation only as extra *instruments* for *drawing gold* from the *treasury.*" Speaking of this period towards the end of January, 1891, at Leeds, the English Chancellor of the Exchequer, Lord Goschen, said: "We were on the brink

of a crisis, through which it might have been difficult for the soundest to pass unscathed, for the wealthiest to have escaped. It was a time when none who had liabilities or engagements to pay could say how they would pay, if a condition of things were to continue under which produce could not be sold, under which bills could not be discounted, under which *there appears an absence of cash* sufficient to discharge the liabilities of the general public.

"That was the position at home, and I tell you what was at stake. You risked the supremacy of English credit: you risked the transfer of business of this country to other countries; if such a catastrophe had occurred as you were on the eve of witnessing, I cannot exagerate the danger, the immediate danger, to which this country was exposed at that time; you escaped from a catastrophe which would have affected every town, every industry: to use a common phrase, "You escaped by the skin of your teeth."

"CONDITIONS OF THE PEOPLE IN EUROPE. WHERE BANKS OF ISSUE CONTROL THE MONEY.

"*Report of Special Agent, Henry Studniczka, to the Bureau of Manufactures, March* 23, 1910.

"WAGES VERY LOW AND LIVING HIGH. THESE CONDITIONS PREVAIL IN CITY OF LONDON. SPIRIT OF RESENTMENT RIFE. RATES PAID TO PRINCIPAL CLASSES OF LABORERS AND COST OF THE VARIOUS FOOD PRODUCTS.

"*Market Prices of Common Articles in Three Districts of the City of London.*

Articles.	Price. Pence.	Price. Cents.
Apples, second and third quality..lb.....	2 to 3	4 to 6
Bread ....4 lbs.....	16	32
Butter, dairy ....lb.....	12 to 16	24 to 32

Articles.		Price. Pence.	Price. Cents.
Cheese, Canadian	lb.	7 to 8	14 to 16
Cocoa	do.	8 to 18	16 to 36
Coffee	do.	8 to 18	16 to 36
Currants	do.	2 to 4	4 to 8
Eggs	12 to 16	12	24
Fish:			
cod	lb.	4 to 6	8 to 12
salmon	do.	3 to 4	6 to 8
various kinds	do.	2 to 6	4 to 12
Flour, second quality	3½ lbs.	4½ to 5	9 to 10
Jam	lb.	3 to 4	6 to 8
Marmalade	do.	4 to 5	8 to 10
Meat:			
Bacon	do.	8 to 12	16 to 24
Beef:			
frozen	do.	5 to 7	10 to 14
fresh	do.	8 to 10	16 to 20
Pork, steaks and ribs	do.	5 to 7	10 to 14
Milk, fresh	pint.	2	4
Oatmeal	lb.	2 to 3	4 to 6
Onions	do.	1	2
Oranges	2 to 3	1	2
Potatoes	lb.	½ to 1	1 to 2
Potatoes	cwt.	36 to 48	72 to 96
Prunes	lb.	4 to 6	8 to 12
Raisins	do.	3 to 5	6 to 10
Rice, lowest quality	do.	2	4
Syrup	do.	3	6
Sugar:			
white	do.	2½	5
yellow	do.	2	4
Tapioca	do.	4	8
Tea	do.	10 to 30	20 to 60
Tomatoes	do.	4	8
Vegetables general	do.	1½ to 2	3 to 4

"The foregoing shows the prices paid for food in the markets of the City of London, to this must be added the

cost of rental, which amounts in the poorest districts for one room to not less than 2s. (48 cents per week), and for a three-room flat from 8s. to 10s. ($1.94 to $2.43) per week. The coal in these laboring districts is sold at the rate of 32 to 36 cents per 112 pounds. To this must also be added the possibility of a carfare, which amounts to 2 cents to 8 cents per trip. The men seldom use the cars, unless exceptional distance from work necessitates this.

"Weekly Cost per Family.

"Amount paid for food by the average family, based upon data obtained from seventy-five households visited in three districts in the City of London:

	Quantity. Lbs.	Cost. Pence.	Cost. Cents.
Bacon	2	24	48
Bread	30	45	90
Butter	1	12	24
Cheese	1	7	14
Coffee	¼	3	6
Currants	1	3	6
Meat, frozen	6	30	60
Milk	10	20	40
Potatoes	14	12	24
Rice, or equivalent	3	6	12
Sugar	5	10	20
Vegetables	5	5	10
Tea	⅛	6	12
		183	3.66

"Wages Paid to Workers.

"Following are the scales of wages paid various trades and classes of labor, the number of working hours per week, without overtime, being given in each instance:

"*Building Trades.*—Working hours per week, 50 in summer and 44 in winter. Wages per hour: stone masons, 21 cents; bricklayers, 21 cents; plasterers, 22 cents; bricklayers' and plasterers' assistants, 14 cents; carpenters, 21 cents; plumbers, 22 cents; painters, 18 cents.

Furniture Trades.—Working hours per week, 52. Wages per hour: cabinetmakers, 21 cents; polishers, 18 cents; upholsterers, 20 to 24 cents; machinists, 20 to 28 cents; carvers, 19 to 22 cents; chair makers, 20 cents.

Boilermakers and Steel Ship-Building Trades.—Working hours per week in shop, 54; for repair work outside, 45. Wages per week in shop: boilermakers, sheet-iron workers, and angle-iron smiths, $10.94; riveters, $6.22; calkers, $8.49; holders-up, $6.56. For outside work wages are about $1.21 more per week.

Lithographers.—Working hours per week, 54. Wages per week: lithographers, $9.73 (minimum); lithographer, tin printing, $10.94; lithographer, rotary machine, $13.38.

Bookbinders and Rulers.—Working hours per week, 48. Wages per week for bookbinders and rulers, $8.50.

Compositors.—Working hours per week, 52½. Wages per week in jobbing trade and on weekly newspapers, $9.49.

Electrical Workers.—Working hours per week, 54. Wages per hour; fitters and wiremen, 19 cents.

Shoe Trade.—Working hours per week, 55. Wages per week: clickers (foremen), lasters, and finishers, $7.29; pressmen, $4.86.

Bakers.—Working hours per week, 55. Wages per week: foremen, $8.51; first-class hands, $7.29; second-class hands, $6.81; helpers, $6.56.

Engineering Trades.—Working hours per week, 54. Wages per week: turners, fitters, coppersmiths, brass finishers, borers, slotters, millers, die sinkers, and press tool makers, $7.73; smiths, $9.73 to $11.92; millwrights, $10.33; iron founders, $9.73 to $10.46; pattern-makers, $10.70."

"London Must Feed the Poor.

"County Council Provides Money for the School Children.

"*London, December 25.*—The London county council found itself compelled yesterday to approve an extra ex-

penditure of $125,000 for providing free 2 cent and 3 cent meals to necessitous school children whose parents are unable to feed them. This supplementary vote will bring the money expended for this purpose by the end of the financial year 1909–10, March 31, up to over $311,000, instead of $150,000, which it was estimated at the beginning of the year would be sufficient."

"The increase in the number of children needing this assistance has been marked. Five years ago some 5000 were in this position, four years ago 6000, a year ago 35,000, and this year 47,000. The number of free meals supplied in 1908–09 was over 7,700,000.

"All parents whose children are fed by the county council are informed by letter that the cost of the meals is charged against them and collected by law if they are found in a position to pay, but only some half dozen such prosecutions have been found necessary.

"Go Supperless to Bed.

"*Thousands of German Children go Breakfastless to School.*

"*Berlin, November* 13.—The organization for the relief of distress among the poorer classes in Germany is so often held up to foreign admiration and emulation that it comes as a shock to learn from a report just issued by the central bureau of the Volkswohlfahrt, or *Public* Weal Society, that an inquiry into the feeding of school children reveals a surprising state of affairs in 189 German towns.

"According to the report, 36,000 children habitually went breakfastless to school, while of the total children 5

per cent. were sent to bed each night supperless and hungry. No fewer than 95,000 children had to be fed by the public assistance committees, involving an outlay of $150,000, a sum insufficient by far to cope with the distress."

"Manchester Strikes.

"*Cost of Living Has Increased. Strike Funds Available. Conditions Never So Bad.*

"*Manchester, October* 14, 1908.—Following upon the commercial depression has come a strike in the cotton mills of the Manchester district which involves 250 factories and 160,000 operatives. It threatens to be the most serious industrial war that has been known in Britain for generations.

"General Reduction Going On.

"A general reduction is going on all over Great Britain, caused by the commercial depression which prevails everywhere in Europe. Other strikes are threatening in various trades. The *Labor Gazette* shows that during the month of September the wages of 159,900 workingmen and women in the kingdom were cut down from 3 to 10 per cent. The managers of the great industries are not only reducing their payrolls, but are discharging many of their hands. The stationary engineers, after a struggle, have submitted to a reduction of a shilling a week and 2½ per cent. on time rates. The boilermakers, the united machine workers, and other trades are now considering demands from their employers for a 5 per cent. reduction, which will undoubtedly be insisted upon. The tendency of wages is

decidedly downward, and if the employees of the cotton mills had submitted without a fight it would have been useless for any of the other trades to resist."

"Many Need Work in Glasgow.

"*Remarkable Situation in the Scottish City. Appeal to the Council.*

"*Glasgow, September* 11.—A remarkable scene was witnessed yesterday afternoon at the office of the city council. Crowds of the unemployed gathered in George Square before the council convened and a delegation of twelve was admitted to the meeting. The councilors received the delegation by rising from their seats. The spokesman of the unemployed said that never before had there been such distress in Glasgow.

"'Every human unit,' said this man, 'is entitled to food. We make no outrageous requests, we are only here to plead for the souls of men and women. They demand work.'

"The chancellor replied with deep emotion. He said the council had received the delegation in a spirit of brotherhood and that it would do all in its power to help those who needed work.

"Large bodies of troops were held in reserve in the afternoon in anticipation of rioting and attacks on property. The men, however, have decided to refrain from demonstrating for one week in order to give the council an opportunity to adopt measures for improvement of the situation. The police arrested a socialist who incited a man to resist arrest. He threw pepper in the eyes of the constables before they secured him."

"LACK OF WORK IN EUROPE.

"*Apparently all Industrial Regions are Affected.*

"*Berlin, November* 14.—From all parts of the empire come serious reports of unemployment. It is not confined to the north or south, but apparently all industrial regions are affected."

A CRISIS IN FRANCE.

The *Washington Herald* publishes under date of November 28, 1909: *By Ex. Attaché.*—"To the doctrine of socialism, which teaches that each citizen is entitled to a living from the state, must be ascribed the colossal number of civilian employes in the pay of the government. They constitute an army of over 900,000, as compared with 250,000 in the last year of the empire, and represent an expense of some $280,000,000 a year; a heavy drain on the national treasury, the total revenue of which does not exceed $820,000,000.

"This army is constantly increasing in size. The government does nothing to prevent its growth; rather the contrary. For employes have votes, and the state is able, by the exercise of a little judicious tyranny, to command the votes, not only of its servants, but also of the latter's relatives and even of their friends and associates.

"Yet France's national debt is advancing by leaps and bounds. There is always a deficit—never a surplus; although the taxation per capita in France is heavier than that of any other country of Europe.

"And this autumn, Minister of Finance Cochery's budget shows a balance on the wrong side to the extent of $40,000,000 for the year. This will have to be met by

new taxes, since the minister absolutely refuses to borrow; and still other imposts must be advised to defray the colossal cost of the old age pension scheme, to the immediate introduction of which the present regime stands pledged.

"Another cause for despondency in connection with the republic, is the falling birth rate. It has just been shown by means of official statistics that during the first six months of the present year the deaths have exceeded the births by 28,203, so that by January next the figures will give considerable more than 50,000 deaths in excess of the births for the previous twelve months.

"Yet there have been no epidemics or great calamities which would account for this condition of affairs. There are 250,000 less births a year now than in 1870 and 150,000 less births per annum than in 1889. At this rate of progress, that is to say, judging by the last forty years, two decades hence, France will be losing at the rate of 100,000 in population a year net."

"Great Britain's Industrial Crisis.

"*October* 2, 1910.—There can be little doubt that labor conditions in England are rapidly driving the working people toward socialism. It used to be thought that the labor unions acted as a bulwark against the encroachments of socialism, but so great has been the discontent, the difficulties of securing employment, and the reduction of wages that it would seem that the socialists have actually captured the labor unions.

"Now the movement is toward a greater and stronger unionism, and all trades are to be allied, making the quarrel of one trade the business of all, and thus making

it possible, too, for a gigantic strike that would tie up every trade in England.

"In the meantime, unrest among the British workingmen is growing rapidly. Strikes and lockouts are in progress in various of the big cities."

"British Capital Driven Out.

"*London, September* 17, 1910.—A partial record of this great movement is now available in the official income tax report.

"It is shown that within four years the income received in this country from investments abroad has increased from $330,000,000 a year, to $445,000,000. Taking the average rate of interest at 5 per cent., which is probably too high, this means that the gigantic sum of $2,300,000,000, has been sent abroad for investment by Englishmen during the four years.

"There is ample evidence that the exodus of capital from the country is increasing rather than diminishing. The bankers and stock brokers of London vouch for the fact that nine times out of ten their customers direct that their savings be invested in securities outside of England.

"British public credit is at its lowest ebb for more than a generation. Money is cheap, yet the price of consols this week has touched low water mark."

I ask the American people if there is anything encouraging to them in the conditions of the people in these *Banks* of Issue Countries, or the precarious existence of Bank of Issue based upon the so-called gold standard of payments.

A TRUE DEFINITION OF MONEY.

It is the purpose of this compilation to epitomize what the great authorities say upon the subject of money, that it may be understood by the American citizen who has not the time, or disposition, to investigate this most important economic question.

The True Definition of Money.

The great Aristotle, whose complete neglect of artistic forms and his adherence to "essential naked truths" induced Dante to speak of him as "the master of those that know" and placed him as the centre and head of the philosophic family—speaking of the function of money, says, in "Ethics":

"Intercourse takes place between people having different objects of desire. In order that they may be exchanged with each other it is necessary that they should be compared, for which purpose money came forward and is as it were a medium, for it measures everything, both the excess and the defect; as, for instance, how many pairs of shoes will be equal to a house or to food; for if this is not done there will be no exchange or intercourse. All things, therefore, must be measured; but it is, in truth, want which holds all things together, for if persons wanted nothing from each other, or not equally, there would be no exchange. Money, then, has been made, by agreement as it were, a substitute for demand, and is so called because it exists not by nature but by law, and it is in our

power to change it and make it useless for the purpose. If it were not possible to exchange there would be no commerce. If a man requires nothing at the present time money is, as it were, a surety to him for a future exchange that it shall be made when he wants it. But money itself is not always of the same value, but yet it has more tendency to remain fixed, wherefore everything ought to be appraised, for so there will be exchange. Money, 'like a measure, makes things equal'; for if there were no exchange there would be no intercourse, nor any exchange if there were no equality, nor any equality if there were no common measure. In truth, it is impossible that things differing so much should be commensurate, but for practical use it is sufficiently possible. Money makes all things commensurable, 'for all things are measured by money.'"

Hobbes in his "Nutrition of a Commonwealth" speaks of money as a measure—

"By means of which measure all commodities, movable and immovable, are made to accompany a man to all places of resort, within and without the place of his ordinary residence, and the same passeth from man to man within the commonwealth, and goes round about, nourishing as it passes every part thereof, insomuch as this concoction is as it were the sanguinification of the commonwealth. . . . By concoction I understand the reduction of all commodities which are not presently consumed, but reserved for nourishment in time to come, to something of equal value."

"When we speak of the value of either gold or silver we mean the 'power it has to purchase other commodities,'

including the one element of money besides itself. Economists have been wont to make this distinction between value and price: 'Value is purchasing power—power in exchange'; price is the power to purchase money—it is the money value of commodities. Money itself, then, while it has value (the value of a given amount of money 'being measured by the quantity of commodities it will purchase') has not price." (Prof. Francis A. Walker, "Money," pages 229 and 230.)

"The value of money is, to appearance, an expression as precise, as free from possibility of misunderstanding as any in science. The value of a thing is 'what it will exchange for'; the value of money is what money will exchange for—'the purchasing power of money.' If prices are low, money will buy much of other things, and is of high value; if prices are high, it will buy little of other things, and is of low value. The value of money is inversely as general prices, falling as they rise, and rising as they fall." (John Stuart Mill, "Political Economy," Book III, chapter 8.)

Professor Fawcett, professor of political economy, University of Cambridge, speaking of the term "value" when applied to money, says:

"When, therefore, in political economy the precious metals or the value of money is spoken of, 'the purchasing power' of money is referred to; or in other words the 'power of money to obtain other commodities in exchange for it.'

"It must, therefore, be distinctly borne in mind that although men of business consider the value of money to

be represented by the rate of interest, yet the signification which is here attached to the money is such as to describe the value of money to be great when prices are low, and to be small when prices are high." ("Political Economy," page 364.)

No Such Thing as Intrinsic Value.

What the Leading Authorities Say.

"There is no such thing as intrinsic value." (Prof. Jevons, "Essay on Value of Gold.")

"There can not, in short, be 'intrinsically' a more insignificant thing in the economy of society than money." (John Stuart Mill, "Principles of Political Economy," volume ii, page 23.)

"This author is led astray by the worse than useless adjective 'intrinsic,' having never yet learned that there is only one kind of value in economics, namely, purchasing power." (Prof. Perry, "Principles of Political Economy," page 341.)

Mr. MacLeod, speaking of the expression "intrinsic value," says:

"This unhappy phrase meets us at every turn in economics, and yet the slightest reflection will show that to define value to be something 'external,' and then to be constantly speaking of 'intrinsic' value are utterly self-contradictory and inconsistent ideas. Thus over and over again it is repeated in economical treatises that money has intrinsic value, but that a bill of exchange or bank note is only the representative of value.

"Money no doubt is the produce of labor, but, as Adam Smith observed, if it would exchange for nothing it would have no value; so, M. Say says, that the value of gold and silver consists only in what they will buy. How then can its value be intrinsic? How can anything have intrinsic value unless it has the thing it will exchange for 'inside itself'? 'Money has intrinsic value!' Has a piece of money got the merchandise, and all the other things it will purchase inside itself? Money will exchange for anything—corn, houses, horses, carriages, books, etc., and each of these is the value of the money with respect to that commodity. But which of these is its intrinsic value? The incongruity of these ideas is so glaring that it is only necessary to call attention to it for it to be perceived at once. 'Yet from the very beginning of the science this phrase has infested it.'

"Moreover, we see on considering the term 'value' that it is nonsense to speak of the 'representative' of value. Value is a 'ratio'—an external relation. What can be the 'representative of a ratio,' or of an external relation? To say that money, because it is material and the product of labor, has intrinsic value, and that a bank-note is only the representative of value, is just as absurd as to say that a wooden yard measure is 'intrinsic' distance, and that the space of thirty-six inches between two points is 'representative' distance. It is of the first importance to economic science to exterminate this unhappy phrase 'intrinsic value,' which is clearly shown to be a contradiction in terms." (MacLeod, "Theory and Practice of Banking," 1, 50.)

A True Definition of Money.

Ricardo, one of the highest authorities, speaking of paper money says—

"By 'limiting its quantity' its value in exchange is as great as an equal denomination of coin, or of bullion in that coin.

"Money is to be known by its doing a certain work. Money is not gold, though gold may be money; sometimes gold is money and sometimes it is not. Money is no one thing, no group of many things having any material property in common. On the contrary, 'anything may be money'; and anything, in a given time and place, is money, which then and there performs a certain function. 'Always and everywhere, that which does the money work is the money thing.'"

"The claim that greenbacks are not money in the fullest sense of that term; that they cannot do all in the way of measuring values, so called, which gold or silver may do, is untenable, and it can be of no advantage to any really sound cause to seek to maintain it." (General Francis A Walker, "Money, in Its Relations to Trade and Industry," Chapter 1, and Preface.)

Influence of Cost of Production on the Value of Money.

"In consequence of the great durability of gold, together with the fact that 'nearly all the gold used as money is practically in the market at any given time,' any change in the cost of production is likely to take a long time to produce its full effect on value. Hence the effects of all changes in the conditions of production of the precious metals are at first, and continue to be for many

years, "questions of quantity only, with little reference to cost of production." (Henry Sidgwick, "Principles of Political Economy," page 250.)

Again, it is said, it is the cost of production which determines value. "But it is always and everywhere the relation of the supply to demand that determines value. Cost of production only affects value by affecting the actual or potential supply." (Prof. Francis A. Walker, "Money," page 245.)

"Labor once spent has no influence on the future value of an article." (Prof. Jevons, "Theory of Political Economy," page 159.)

"The great principal of cost of production fails us, because in the case of such durable commodities as gold and silver the accumulated stock on hand is immensely greater than the annual production or consumption." (Prof. Jevons, "Contemporary Review," May, 1881.)

"From their durability, the total quantity in existence is at all times so great in proportion to the annual supply that the effect on value even of a change in the cost of production is not sudden, a very long time being required to diminish materially the quantity in existence, and even to increase it very greatly not being a rapid process." (Stuart Mill, "Political Economy," Book 3, Chapter 7.)

"Alterations, therefore, in the cost of production of the precious metals do not act upon the value of money except just in proportion as they increase or diminish its quantity." (John Stuart Mill, "Political Economy," Chapter ix, 3.)

A True Definition of Money.

" Cost of production, so important and decisive as to the value of commodities bought with money, is, in the case of money itself, of no account whatever. For, any particular commodity we can do without; and so if it costs too much to produce no one will buy it, ' but money must be had at all costs, for without it no commodities can be procured at all.' And be it observed, money is comparatively permanent. It is not, like commodities in general, consumed in the use. Consequently there is a great and even enormous difference between it and things produced to be consumed. It is, as a rule, the rapidly perishing commodity whose value depends mainly on its cost of production. Each time it is wanted it must be made again. But money, once made, is there for almost any length of time, for though it wastes a little, yet not much; its value, therefore, can be hardly, if at all, appreciably dependent on its cost of production." (F. W. Bain, M.A., " The Principle of Wealth-Creation," page 101.)

It is the Money Use that Gives Value to Gold and Silver.

" The fundamental cause of value in the precious metals is ' their use as currency.' This conclusion is not so obvious as it might appear. Up to recently ordinary political economists have been accustomed to accept Mr. Senior's dictum, that the measure of value in the precious metals is their use in the arts. It is very possible that this view is still accepted, notwithstanding the experience of the last fifteen years, during which events have occurred which would, one might think, induce these people to reconsider their conclusion." (Thorold Rogers, Prof. P. E., Oxford

University, "Industrial and Commercial History of England," page 324.)

"Gold and silver owe almost the whole of their value to the fact that they can be converted into and used as money. If gold and silver were absolutely excluded from the currency of the world their value would be greatly reduced, if it did not almost entirely cease to exist; and if either gold or silver were largely excluded from the currency of the world the value of the metal so excluded would experience a very great fall.

"The value of gold and silver is almost entirely due to their use as money and consequently the relative value of gold and silver depends upon the extent to which the different nations of the world use these metals as currency. If one nation after another decided to demonetize silver and to sell the silver contained in its currency, the value of silver relatively to commodities and still more so in comparison to gold, could be made to fall to a very small fraction of its present value.

"On the other hand, if the nations of the world demonetized 'gold,' and sold their gold, the value of gold in relation to silver would experience a very great fall.

"In short, we see that the demand for gold or silver is due mainly to the extent to which the legislatures of the different countries decide to use these metals as money, and therefore, their relative value is and must continue to be regulated by legislation." (David Barbour, "Metallic Money," Chapter 2, page 34.)

"Gold and silver have real and artificial values—real and natural, as for gilding, for use in surgical appliances,

forks, spoons, and other things; artificial for money for circulating mediums. . . .

"This artificial value is much greater than the real (value). If some substitute for gold and silver were found which could be used more advantageously as money and displace them, their exchangeable values would be vastly less than at present. That is, if an ounce of gold exchanges for two quarters of wheat now anywhere, it would, if it ceased to be used as money, exchange for much less—how much is beyond speculation." (Lord Bramwell.)

"In so far as it (gold) has 'legal exchangeable value' its worth as a commodity is increased. We want no gold in the form of dust or crystal; but we seek for it 'coined,' because in that form it will pay baker and butcher. And this worth in exchange not only absorbs a large quantity in that use, but greatly increases the effect on the imagination of quantity used in the arts." (John Ruskin, "Munera Pulveris," page 83.)

"No doubt, if gold and silver were demonetized in every country, metallic money would lose the greatest part of its value. We must not deceive ourselves as to this matter, and the present fall in silver, caused by its demonetization in some countries, only too fully proves the fact. Yet many authors do harbor this illusion, or at any rate do not put their readers on their guard against it. Most of them seem to say that the government seal stamped upon gold and silver coins merely states their actual value, just as the tickets tradesmen put on their goods. But the declaration that the six gramme gold piece is worth twenty francs is not only 'declaratory,' but it is also de-

terminative of value. It is because the will of the legislator, or, if it is preferred, the agreement of men, has chosen gold and silver as money, that these metals have acquired the larger part of their value, and they would lose it as soon as this agreement or this law happened to cease to exist. Aristotle, too, had perceived this very clearly. Says he in the 'Ethics,' Book V: 'It was through a voluntary agreement that money became the instrument of exchange. It is called "nomisma" (from "nomos," law) because money is not a natural product, but exists only through law, and it lies with us to change it and rob it of its utility as we will.'" (Prof. Gide, "Political Economy," page 216.)

Key to the Monetary Problems.

"The origin of buying and selling," says Paulus, "goes back to barter. Primitively, there was no money. One thing was not called 'merchandise' and the other 'price,' but every one, according to his needs, and according to his circumstances, bartered things useless to him for those which would be useful to him; for it often happens that what one has too much of, another lacks. But, as it would not always or easily happen that you had what I should have wished for, and that, conversely, I had what you wished to obtain, choice was made of a material which, being declared 'forever legal value,' would obviate the difficulties of barter 'by means of a quantitative equation.' And this material, stamped in the corner by the State, circulates with a power which it derives 'not from the substance but from the quantity.' Since that time, of the

things thus exchanged, one is called merchandise, and the other is called price." (Paulus, "The Roman Jurisconsult."—Incorporated in Pandects of Justinian.)

"Money, while the same quantity of it is passing up and down the kingdom of trade, is really a standing measure of the falling and rising value of other things in reference to one another, and the alteration in price is truly in them only. But if you increase or lessen the quantity of money current in traffic in any place, 'then the alteration of value is in the money.'

"The value of money in any one country is the present quantity of the current money in that country in proportion to present trade." (Locke.)

"It is not difficult to perceive that it is the total quantity of the money in circulation in any country which determines what portion of that quantity shall exchange for a certain portion of the goods or commodities of that country. It is the proportion between the circulating money and the commodities in the market which determines the price." (David Hume.)

"If the quantity of purchasable articles increases while the quantity of money remains the same, the value of the money increases in the same ratio; if the quantity of money increases while the quantity of purchasable articles remains the same, the value of the money decreases in the same ratio." (Fichte.)

"And again, in whatever degree, therefore, the quantity of money is increased or diminished, other things remaining the same, in that same proportion the value of

the whole and of every part is reciprocally diminished or increased." (James Mill, "Political Economy.")

"The value of money, other things being the same, varies inversely as its quantity; every increase of quantity lowering the value, and every diminution raising it in a ratio exactly equivalent." (Stuart Mill, "Political Economy.")

"Alterations in the cost of the productions of the precious metals do not act upon the value of money, except just in proportion as they increase or diminish its quantity." (John Stuart Mill.)

"The value of money in any country is determined by the amount existing. That commodities would rise or fall in price in proportion to the increase or diminution of money I assume as a fact that is incontrovertible.

"We have seen, however, that even in the case of metallic currency the immediate agency in determining its value is its quantity." (John Stuart Mill, "Principles of Political Economy," Volume 2, page 89.)

"If the quantity of gold in a country whose currency consists of gold should be increased in any given proportion, the quantity of other articles and the demand for them remaining the same, the value of any given commodity measured in the coin of that country would be increased in the same proportion." (William Huskisson.)

"The value of money is in the inverse ratio of its quantity; the supply of commodities remaining the same." (Sir James Graham.)

"If the value of all other commodities, in relation to

gold, rises and falls as their quantities diminish or increase, the value of gold in relation to commodities must rise and fall as its quantity is diminished or increased." (Torrens, "Political Economy.")

"The rate at which money exchanges for other things is determined by its quantity. . . . Supposing the amount of trade and mode of circulation to remain stationary, if the quantity of money be increased its value will fall and the price of other commodities will proportionately rise, as the latter will then exchange against a greater amount of money; if, on the other hand, the quantity of money be reduced, its value will be raised, and prices in corresponding degree diminished, as commodities will then have to be exchanged for a less amount of money. . . . In whatever degree, therefore, the quantity of money is increased or diminished, other things remaining the same, in that same proportion the value of the whole and of every part is reciprocally diminished or increased." (Prof. DeColange.)

"The exchange value of any particular coin will vary in exactly inverse ratio to the variations in quantity of the aggregate." (Prof. Sidgwick, "Principles of Political Economy," page 251.)

"There is plenty of evidence to prove that an inconvertible paper money, if carefully limited in quantity, can retain its full value. Such was the case with the Bank of England notes for several years after the suspension of specie payments in 1797, and such is the case with the present notes of the Bank of France." (Prof. Stanley Jevons.)

"A well regulated paper currency is so great an improvement in commerce that I should greatly regret if prejudice should induce us to return to a system of less utility. The introduction of the precious metals for the purposes of money may with truth be considered as one of the most important steps toward the improvement of commerce and the arts of the civilized life; but it is no less true, that with the 'advancement of knowledge and science,' we discover that it would be 'another improvement to banish them again from the employment to which, during a less enlightened period, they had been so advantageously applied.' (Ricardo.)

"He (Ricardo) examined the circumstances which determine the value of money, . . . and he showed that its value will depend on 'The extent to which it may be issued' compared with the demand. This is a principle of great importance, for it shows that 'intrinsic worth is not necessary to a currency,' and that, provided the supply of paper notes declared to be a legal tender 'be sufficiently limited,' their value may be maintained on a par with the value of gold, or raised to any higher level. If, therefore, it were practicable to devise a plan for preserving the value of paper on a level with that of gold, without making it convertible into coin at the pleasure of the holder, the heavy expense of a metallic currency would be saved.

"It appears, therefore, that if there were security that the power of issuing paper money would not be abused; that is, if there were perfect security for its being issued in such quantities as to preserve its value relatively to the mass of circulating commodities nearly equal, the precious metals might be entirely dispensed with, not only

as a circulating medium, but also as a standard to which to refer the value of paper." (Mr. J. R. McCulloch, "on Ricardo.")

"In adopting a paper circulation we must unavoidably depend for a maintenance of its due value upon the adoption of a strict and judicious rule for the regulation of its amount."—Lord Overstone.

"The reduction of paper would produce all those effects which arise from the reduction in the amount of the money in any country."—Alexander Baring.

"By limiting its quantity its value in exchange is as great as an equal denomination of coin, or of bullion in that coin.

"There is no point more important in issuing paper money than to be fully impressed with the effects which follow from the principle of limitation of quantity."—Ricardo.

"In discussing the laws of price, the principle was established that general prices depend upon the quantity of money in circulation compared with the wealth which is bought and sold before it is consumed. If more wealth is produced and an increased quantity of wealth is bought and sold for money, general prices must decline unless a larger quantity of money is brought into circulation."

The amount of money required to be kept in circulation depends upon the amount of wealth which is exchanged for money. Hence, "cæteris paribus, the amount of money ought to increase as the population and wealth of a country advance."—Prof. Fawcett, "Political Economy," page 371.

CORRECT DEFINITION OF A STANDARD.

Gold, the false basis of credit money, annihilated by the logic of common sense.

Definition of a Standard.

When James Watt, the celebrated Scottish civil engineer, the inventor of condensing steam, tried to ascertain what could be properly called the dimension of an ounce, he found that as many as fifty different ounces were in common use. There was no standard in weights or measures —no universal ounce nor yardstick.

There was at one time more than twenty different measures of length—practically an unknown variety of foot-rules, so that twelve inches in one country might not be twelve inches in another. This condition and confusion made it absolutely necessary for the world to have a world wide set of standards in order to carry on business and the people be able to buy and sell to one another.

This being the case the representatives of the United States, Great Britain, Russia, Italy, Austria, Turkey, and Spain, convened in Paris in 1870, but no definite action was taken. In 1872 men of scientific knowledge from thirty nations met in Paris and decided that new meters and new kilograms should be made to constitute the standard of the countries concerned. This was to fix international measure for these countries of length and mass. In 1875 a permanent international bureau of weights and measures was created. Thirty meters and forty kilograms were constructed among the different countries represented.

Two meters and two kilograms were numbered and sent to the United States and they are now locked up in the vault of the building of Standards of Weights and Measures at Washington, and they are the standards from which we make our yard and pound terms, simply translated from French into English.

In like manner the troy pound to regulate the coinage of metal into money, was obtained from England in 1827. It is made of brass and now kept in the mint of Philadelphia and constitutes the Standard Weight by which our coinage is governed. Albert Gallatin, American Minister to Great Britain, sent it to the United States.

On the arrival of this standard troy pound from England John Quincy Adams, President of the United States, went to Philadelphia, and breaking the seal, declared the weight to be a copy of the imperial troy pound of Great Britain.

I desire to make plain and rivet in the mind of the reader that this troy pound is simply a standard by which the metal gold is weighed when it is coined into a dollar, or measures how many grains of gold will be equivalent to a dollar according to law. It measures this gold just as it would measure the pound of any other material substance, and just as the yardstick would measure thirty-six inches of cloth or anything else. The metal gold in the dollar does not measure the value of the dollar, the purchasing power of the dollar is measured by the dollar and by the price of the thing it will buy.

And the value of the dollar when compared to other things depends upon the quantity of dollars out. Therefore the quantity of dollars constitutes the standard, af-

fecting general prices, and not the gold in or out of the dollar.

If the dollars in a currency system are few in number the "standard" will be high and prices of other things low.

If the dollars be many the "standard" of value will be low, and the prices of other things high. It is only necessary to state this to prove it.

It would be just as logical to say that a yardstick made of gold would make the gold in the yardstick a standard of length instead of the thirty-six inches in the yard being the standard of the yard, as applied to length, or that if you destroy the gold yardstick and only had yardsticks left made of steel, the "standard" of length, thirty-six inches, would be destroyed. It would be just as reasonable to contend that the clock made of gold would constitute gold the "standard" of time. Or that the bushel measure made of gold would constitute gold the "standard" of its cubical contents.

The yardstick in the Bureau of Standards at Washington is declared by law to be the model for all other yardsticks, is made of bronze, but bronze is not a "standard of length."

Stripped of all sophistry the gold dollar truly means, that when gold the metal is coined into an American dollar, the said dollar shall contain in weight so many grains of the metal gold. It is simply a standard for this purpose.

A dollar does not change—50 cents cannot be one dollar, or 200 cents be one dollar, any more than eighteen inches could ever measure a yard, or seventy-two inches be less than two yards.

The law thus fixed the quantity of the metal gold going into the dollar, or how much gold is worth a dollar, but the gold does not fix the value or purchasing power of the dollar. An economic law far more universal fixes the value or purchasing power of the dollar, that of demand and supply.

Confounding the idea of money with measures of other things such as pounds in weight and yards in measurement, it was attempted to establish a universal money unit such as the universal yardstick. It was taken up and discussed at the International Monetary Conferences, but finally abandoned as an absurdity, as the value of money depends upon its quantity and what is back of it for its redemption, and for that reason there can be no universal standard such as a yardstick or pound, applied to money.

It was discussed and a resolution passed Congress in 1856 on the subject, discussed again in the International Conference of 1867. In the International Conference of 1878 at Paris it was shown that the United States Government cared nothing for the international unit of money.

Confounding the idea of money, the creation of a sovereign power, with the standard weight, a material substance, used as a model by which gold and silver should be weighed, has up to the present time constituted the absolutely false basis upon which a most indefensible money system has been established.

The premises being false the whole system or superstructure is like a house built upon shifting sands, and this is demonstrated by the feverish conditions of the money market, never at rest, constantly changing the value of the dollar and the rate of interest on same, eternally varying,

and the whole system breaking down in panics, the inevitable result of a narrow and false foundation, upon which an inverted pyramid of credit money or promises to pay have been emitted by banks of issue.

The first essential of a correct monetary system as far as possible is a dollar unfluctuating in its purchasing and debt paying power and a low and unchanging rate of interest upon loans.

We have just the reverse under the present so-called "gold standard" system.

Apply the universal test of demand and supply to gold. Only one-third of the annual output of gold is used in the manufacturing and industrial arts—its legitimate use—this leaves an overcrop, so to speak, of two-thirds of the annual supply. This alone is enough to drop the price over 50 per cent. Then take into consideration the accumulated supply that will eventually come on the market and there is no escape from the conclusion that the gold in the dollars is not really worth more than 50 per cent. on the dollar.

The old fallacies of "intrinsic value" and "ratio" of gold and silver being disposed of, we can make the final analysis of the present value of the metal gold—as follows: No fair-minded man will contend that gold if demonetized would be worth more than 50 cents on the dollar, as its value would rest upon a demand for only one-third of the supply in the arts; this plainly shows that the two-thirds of its present value is an artificial one created by the law making it money.

Its material value has been entirely lost in a fixed value given it by law. England's dictum is that 123.274

grains of gold is worth a pound sterling; France declares 4.979 grains of gold is worth one franc.

The United States fixed by law that 25.8 grains of gold is worth a dollar.

Neither the United States nor any other country can declare that so much gold is worth so much of the necessities of life, such as wheat, corn, meat, cotton, or property.

And furthermore, the gold in the dollar, or franc, is not the standard by which their value is measured or purchasing power fixed, and it is frivolous to further make this contention.

You might carry this absurdity even further by saying the gold reserve of $150,000,000 in the United States Treasury maintained the equal value or parity of all the millions of dollars represented by clearing-house certificates, and scrip issued by banks, trust companies, railroads, and manufacturing establishments throughout the United States during the panic of 1907.

Will the monometallist contend for the double fallacy that one hundred and fifty million of gold in the United States Treasury maintained the equal value purchasing power of all American dollars, and that $1,393,978,664 of gold in the American money system, most of it already pledged to be returned on demand for specific notes, outstanding, is the standard by which the value of all kinds of merchandise and products of the United States amounting to over twenty-five billion dollars annually, is regulated and the price fixed, besides the price of exports to foreign countries amounting to $1,860,773,000 in 1908 and all other real and personal property of the American people?

A sufficient number of large countries can by law fix and maintain the price of the metal gold, but that does not fix the price or value of products or property.

The law of demand and supply fixes the value, when not affected by credit money, by combinations, trusts, and tariffs.

If the figures mentioned are too large to be readily applied, let us take our household affairs as an illustration, and ask what has the fixing by law of the value of an ounce of gold to do with the price you pay for your clothes, your food, your coal, your rent, etc.; all of which is paid for in American dollars, and the price of gold, the metal, has nothing to do with it.

Here we will have some one say, "Yes, but you must have a gold dollar or standard to refer our dollars to in order to maintain and fix their value." You might just as well say, we must have a gold yardstick as a standard to refer thirty-six inches to in order to make a yard.

In the United States a hundred dollars of lawful money pays a one hundred dollar debt, and buys one hundred dollars' worth of anything for sale. In Europe it brings a premium over gold.

An American legal-tender dollar is redeemable in $25,000,000,000 of internal commerce annually; over $12,000,000,000 of steam and electric first mortgage railway bonds; over $25,000,000,000 of first mortgages on real estate; and about $14,000,000,000 of other kinds of American interest-bearing and dividend-paying securities. And in addition to this the services of 90,000,000 of the most capable and energetic people in the world.

Comparison: The American legal-tender dollar is redeemable in over $117,000,000,000 of valuable property, including the necessities of life and the service of ninety million people, restricted to gold, the supply for its redemption in the United States is only $1,393,978,664.

The foregoing summing up demonstrates with mathematical certainty the increasing, incessant, never ending and tremendous demand for *American dollars*—hence their value.

Having already demonstrated that there is no such thing as intrinsic value in gold, and that demand makes value, it is unthinkable that an intelligent people will tolerate the transparent fallacy that gold and gold certificates are *redeemable* money, and a full legal-tender dollar issued by the sovereign power of the United States, redeemable in $117,000,000,000 of national wealth, is irredeemable money.

Does the American dollar depend upon its redemption in gold, or $150,000,000 of this metal in the United States Treasury maintain the equal purchasing or debt paying value of the full legal-tender American dollar?

If so, why does the American paper dollar sell for a premium over gold in London?

Why is a paper dollar paid for in gold a redeemable dollar, and a paper dollar paid for in everything in this country including gold and debts, an irredeemable dollar?

A paper dollar redeemable only in gold would be a warehouse receipt for this amount of gold to be paid on demand. Suppose this redemption was restricted to this gold, how many people would want them?

It is safe to say that the demand which makes and sustains the money value of the dollar is 99 per cent. greater for the dollars redeemable in everything, than the dollar redeemable in gold.

Man has put an unlimited demand on gold by endowing it with the universal money use, or function of paying for everything else. Such an unusual power being given one *substance by law over all other things, for such length of time,* has created a misconception in the human minds as to gold; and thus intrinsic value has been ascribed to it, and in the minds of the ignorant amounts to a fetish worship, and even the intelligent attribute to it a power nothing short of miraculous by declaring it to be the standard by which the value of all other things is measured, or their prices fixed.

Thus the wealth of the United States back of the American dollar for its redemption is forgotten, and its value, purchasing power, is ascribed to the intrinsic value of gold. The same applies to the pound sterling of England and the five franc piece of France, etc.

Thus the fixed value given this metal by law in the *money* of these countries, wherein they have made it exchangeable at a fixed value for everything else. It logically follows that a pound sterling, a five franc piece, and an American dollar does not change any more than thirty-six inches in the yard. The change in value when referred to them is shown in other things.

The value of other things or property is measured by the number of dollars they will bring in the market and not by gold, or the metal in the dollar or out of it.

What is the use of a great country having inexhaustible wealth and the most enterprising and industrious people in the world, if the prosperity and happiness of its people are to be eternally interrupted by panics and buried in debts by adhering to gold? Africa, by holding her gold, could excel us on a gold basis in a comparatively short time, her annual production being $261,372,389, although she has little besides, that the human family could want in which money could be redeemed. Under such conditions would any one contend that Africa could issue as good a dollar as the United States?

It would be just as reasonable to hold that a man worth $1000 in gold only, could issue as good a demand order for $4000 as the man who had $4000 of lawful money of the United States redeemable in everything. The redemption power is simply 4 to 1 measured in dollars and cents and purchasing value, which is the real value. How much longer will this great republic, like an over-grown giant, stagger along cramped by this Chinese-shoe of gold monometallism, ever stumbling into unnecessary panics and business depressions?

If the intelligence of the American people is once fixed upon this subject, now that it has emerged from darkness into light, it will shake off this old man of the sea, this hoary-headed fallacy of a past civilization, and face to the future determined henceforth to free itself from this gold monomania.

Money should be stripped of this old fetish, a worship for gold transferred to this continent from the ignorance of the old world, where the people, subservient to kings,

thought they had nothing to do with the creation of money, and that it was a mysterious thing of "intrinsic value" and far above and beyond their finite intelligence or jurisdiction "hedged about by the divinity of kings."

I am here forcibly reminded of a statement made by the Great Dr. Hall, of the English Church. After preaching to his congregation for twenty years he realized that they were becoming entirely dependent upon his religious dictum given them from the pulpit. Being convinced himself that this was absolutely wrong, he called their attention to the fact and then told them frankly he wanted them to unlearn everything he had taught them and begin then and there to do their own thinking, saying that God had given them legs to walk with, hands to work with, and brains to think with, and as they did not borrow another man's legs to walk with or hands to work with, they should not borrow another man's brains to think with, and that each man had an immortal soul to save and he had best try to save it himself.

I would impress this on every citizen, do your own thinking on the subject of money and do not let the politicians and bankers and money lenders do your thinking for you.

The United States is not only to-day sustaining the value of the gold in our money system, but holding up its value for the rest of the world. If the United States would take the position that she would not coin any more gold into American money but would pay future gold obligations to those who wanted it in the gold bullion on the basis of 25.8 grains to be equivalent to a dollar, it would not be

ninety days before the price of gold bullion would decline all over the world and every sensible man prefer the lawful money of the United States with its greater purchasing power and exchange value; *and the United States would at once become the financial money centre of the world.* Simply because the owners and lenders of money in the old world pursued a selfish and narrow-minded policy in the use of money, is it to be forever continued by this new world to the detriment of its people and the world generally?

The discovery of gold and silver in America made it easy for us to accept the time honored delusion of the intrinsic value of gold. "When self-interest fortifies an argument, weak reason serves to gain the will's consent," or "When self the wavering balance shakes 'tis rarely right adjusted."

Originally money was simply a due bill given one individual by another. Money of to-day is a due bill given by a total aggregation of people on themselves, by an act of sovereignty, and all agree to accept it and redeem it in everything they have, including their services. Such is a legal-tender dollar, or the lawful money of the United States.

David Hume, the great English historian, says, "The virtue of all human action depends upon their utility," and we all know that in the economy of nature nothing should be lost. In the whole range of human existence, there is no greater violation of this fundamental economic law than the impounding of gold. Here we see the anomalous spec-

tacle of hundreds and thousands of human lives spent in mining gold, and millions of money expended for taking a yellow metal out of the hidden vaults of nature to hide it away at great cost in the vaults of treasuries, mints, and banks, most of it never again to see the light of day.

All this is done in order that it may be the false basis of a credit money system. It is a dead expense and the gold might as well be back in the vaults of nature. Silver is now taking its proper place as the useful white metal in the industrial world, and gold will eventually follow its lead and take its proper place as the bright useful and ornamental yellow metal doing its proper work in the world's arts and industries.

The value of the American dollar depends upon its acceptance by the people of the United States, for be it understood once for all that in the final analysis all that redeems the American dollar is the property and service of the 90,000,000 people of this country. All lawful or legal-tender dollars are issued by their consent and they thereby agree to accept them in payment for their property and services.

Apply this simple test: Suppose the people of the United States, expressing themselves through their representatives in Congress, should say we have no use for any more gold than that we use in the arts, and decline to accept anything but lawful legal-tender money of the United States for our property and service, what would become of the present market value of gold, its only use being a basis for the issuing of warehouse receipt money, gold and silver certificates in the shape of promises to pay it

back and national bank notes. *Both* a *bond* and *gold secured currency* are *unmitigated evils* to be *gotten rid of as soon* as a country is *rich enough* to *do so.* I will enumerate some of the costs already paid by the people to sustain this system.

Principal of the public debt, $1,377,831,931.
Interest on the public debt, $2,612,144,531.

Absolute waste in simply handling the gold.

Summary.

Annual expense of mint and assay offices (1909)	$1,711,721.25
Value previous metals wasted (1909)	23,833.52
Freight charges on bullion and coin (1909)	55,756.69
Paid Express Companies for transportation (1909)	277,434.00
Loss of interest say at 5 per cent. on $150,000,000 gold held in Treasury	7,500,000.00
	$9,568,745.46

The above is the yearly economic loss applied to gold alone, as above handled, and would amount to more than a loss of a hundred million dollars every 11 years.

The loss sustained by making all other kinds of currency redeemable in gold has been infinitely greater to the tax-payers of this country, as indicated by the foregoing payments on the public debt, to say nothing of loss by panics and business depressions.

What will be the Value of Gold When Demonetized?

The history of the fall in the price of silver is the conclusive answer. Page 119, Report of the Director of the Mint, 1909.

No. 19.—Bullion Value of the Silver Dollar [371¼ Grains of Pure Silver] at the Annual Average Price of Silver each Year from 1837.

Calendar year.	Value.	Calendar year.	Value.	Calendar year.	Value.
1837..........	$1.009	1861..........	$1.031	1885..........	$0.82379
1838..........	1.008	1862..........	1.041	1886..........	.76931
1839..........	1.023	1863..........	1.040	1887..........	.75755
1840..........	1.023	1864..........	1.040	1888..........	.72683
1841..........	1.018	1865..........	1.035	1889..........	.72325
1842..........	1.007	1866..........	1.036	1890..........	.80927
1843..........	1.003	1867..........	1.027	1891..........	.76416
1844..........	1.008	1868..........	1.025	1892..........	.67401
1845..........	1.004	1869..........	1.024	1893..........	.60351
1846..........	1.005	1870..........	1.027	1894..........	.49097
1847..........	1.011	1871..........	1.025	1895..........	.50587
1848..........	1.008	1872..........	1.022	1896..........	.52257
1849..........	1.013	1873..........	1.00368	1897..........	.46745
1850..........	1.018	1874..........	.98909	1898..........	.45640
1851..........	1.034	1875..........	.96086	1899..........	.46525
1852..........	1.025	1876..........	.90039	1900..........	.47958
1853..........	1.042	1877..........	.92958	1901..........	.46093
1854..........	1.042	1878..........	.89222	1902..........	.40835
1855..........	1.039	1879..........	.86928	1903..........	.41960
1856..........	1.039	1880..........	.88564	1904..........	.44763
1857..........	1.046	1881..........	.87575	1905..........	.47200
1858..........	1.039	1882..........	.87833	1906..........	.52353
1859..........	1.052	1883..........	.85754	1907..........	.51164
1860..........	1.045	1884..........	.85904	1908..........	.41371

Demonitization of Silver started in 1873 at which time it was worth $1.00368. Present price, $.41371.

In all the international conferences (from 1867 to 1892) the great objection to coining more silver was the fear that it might be demonetized and the country having most of it in its monetary system would be the heaviest loser. In 1873 this demonetization commenced, and the above table from the report of the Director of the Mint of the United States will show the effect upon the price of silver. The same would have occurred, and will occur, whenever gold is demonetized, or the money value given it by law withdrawn.

How long! O how long! will an intelligent people be blinded by this delusion that a gold reserve of $150,000,000

maintains the equal value of each dollar in the money system of the United States or the parity of our dollars, as the parrots in finance are prone to call it?

The dollar is the American unit of value, and contains one hundred cents, and a man's purchasing power depends upon the number of dollars he has and the value of each dollar is exactly the same.

When a man has one dollar or a hundred dollars he can get the worth of it in the things offered for sale. That held as a reserve in European banks and the United States Treasury does not add one cent to their value. He can buy a dollar's worth or a hundred dollars' worth, whichever the case may be. Apply the test and it will be demonstrated that it is the dollar in the gold that gives it its value and not the gold in the dollar. There is nothing mysterious in the value of money. It is only worth what it will bring in other things. The mystery and jugglery begins when every real dollar is made the basis of issuing innumerable promises to pay, or debts, in the place of dollars, by banking institutions.

As the American people have to accept the dollar for their property and debts, they are vitally concerned in the number of dollars issued and can be depended upon to limit the supply carefully to meet the legitimate demand of trade. To say that the people themselves should not regulate the amount of money through Congress is equivalent to saying they are not fit or capable of self government. The Constitution of the United States has already decided this question in favor of the people.

In buying things offered for sale or paying debts, would an American citizen ever be asked to accept a discount on

this legal-tender dollar or surrender one of them for less than one hundred cents when he can convert them at their face value into everything for sale in the United States and get a premium on them in foreign countries?

A full legal-tender American paper dollar will bring a premium over gold in Europe. Whereas if the United States would withdraw the legal-tender dollar stamp from gold, and stop its coinage into dollars at the mint, the gold would not be worth more than 50 cents on the dollar in the markets of the world.

To authorize the issue of lawful money is the highest act of sovereignty, for it carries with it the plighted faith of the entire population of the country to redeem it. In the case of the United States there are 90,000,000 American people to redeem it, not once, but for all time, in everything they possess.

Every dollar of lawful money in such a monetary system would have back of it the entire wealth of the richest empire the world has ever known, for its everlasting redemption. Thus endowed it would go forth needing no justification or explanation, and the civilized world would accept it as the American dollar issued by the sovereign power of the United States, a valid and universal order for all things for sale, all services for hire and the ultimate of payment for all debts in the richest country in the world.

Compare the integrity and real value of this dollar with a promise to pay issued by a banking system, ultimately redeemable in gold, when it is a well-known fact that the debts of the American people now payable specifically in gold amount to over forty billion dollars and we have $1,393,978,664 in our whole monetary system, June 30,

1909. (Page 59, Report of the Director of the Mint.) In view of this fact, that there is not in this country gold enough to pay 3½ per cent. on the dollar, we would bankrupt the world on a gold basis if we tried to get 1 per cent. on the dollar of these debts specifically payable in gold.

I would ask any sane man, much less one occupying a fiduciary position with the slightest appreciation of his responsibility to those he represents, how he could be induced to entertain for one moment such an impossible contract. It is an absurdity on its face. The miracle of the loaves and fishes would be simple in comparison with this undertaking. Thus to continue to pile up these obligations specifically payable in gold approaches reckless insanity. Besides being impossible of performance they are unfair and indefensible from both sides of the agreement. If gold were demonetized, as it eventually will be, and relegated to its legitimate use as a metal, it would not be worth more than 50 per cent. on the dollar, or if a 5 per cent. demand payment on the debts payable specifically in gold were made by the holders of said debts, it would result in wholesale repudiation of contracts and put the United States in a discredited position all over the world.

If every dollar in the American money system were issued by the Government as a perfect money unit, full legal-tender dollar, they would be universally accepted and draw a premium in every great commercial city outside the United States. Not because their value or parity is maintained by a little gold in the Treasury of the United States, but because they will settle our balance of trade against Europe, and will buy American products, property, bonds, investments, and securities of all kinds, and have

back of them more real wealth to redeem them than any other money ever issued.

Lord Goschen, the acknowledged English authority upon the subject of money, when he saw the productive power of the United States being developed as far back as 1865 made the following statement: "What, it may be asked, will be the value of gold to them—the people of the United States—if they neither require it for internal circulation, which they may think can be managed as well by paper, nor for payment for foreign liabilities from which under our hypotheses, they will be comparatively free."

Thanks to the energy and industry of the American people we have long since reached this condition and have had a balance of trade against Europe in our favor amounting to $6,117,361,000 since 1897.

Goschen again states, "Trade balance and exports are not paid for in gold but in money of the country adjusted to the currency of the debtor country—or settled by interest-bearing public securities of the same."

This being the case why should the business of the great creditor country go into spasms, and a scramble for gold set in with all its depressing and destroying effects upon business in the United States, and at the same time weaken the purchasing power of our foreign customers by taking from them gold, which is the only basis of their money supply, and creating a world wide depression, lessening our exports and thus greatly reducing our balance of trade against them.

Why should the international or export trade of the United States be any longer hampered and restricted by

this commodity money—gold—being expressed back and forth across the ocean?

After fairly considering all that Goschen and others have said on the subject of foreign exchange, the practical conclusion is inevitably reached that the cost of settlement of all balances is either done by the exchanging of bills owed by the people of one country to another, with the final balance settled by a premium or extra cost equal to the express and insurance that would be charged upon the shipment of gold or the gold itself, or interest-bearing public securities in the shape of bonds, etc., by the debtor and acceptable to the creditor.

Eliminate gold from the transaction and you destroy the demoralizing element.

It will be shown later that the United States does not need the gold: therefore it would be infinitely better to have her final balance of trade against foreign countries paid for by the return of our securities held abroad or in their own interest-bearing public securities satisfactory to us.

No one with a clear understanding of the subject will any longer contend that gold regulates the price or value of the things transferred in international commerce or bought and sold in the domestic market; or operates as a standard of value for same.

Gold is now an unnecessary dead weight so far as commerce is concerned, and the ridiculous spectacle of transporting it periodically back and forth across the ocean and thereby giving financial rigors to the business conditions of the world generally, is a performance unworthy of the twentieth century.

Under modern conditions international balances can be almost instantly settled without the intervention of gold, by corresponding banking houses.

Is it not better for the United States to take back its interesting-bearing securities in settlement of the final balance of trade, and thus have the people of other countries working for us, to pay interest upon their securities that we will soon hold under this process, than to pursue the American bankers' plan and break our necks trying to float American securities, such as railroad bonds, etc., in foreign countries, whereby we reverse the operation and have our people working for them, to pay interest on American securities held abroad? And whenever they get hard up they unload these same bonds and stocks upon the American money market, thus taking gold money from us, which is now the narrow foundation upon which rests the vast superstructure of credit money, and promises to pay, issued by national banks, etc., the effect being to break down the present weak financial system of our country, a credit contrivance, liable to give way at any time. At present Europe holds enough American securities to deplete our gold supply and bring on a panic in the midst of the most prosperous conditions here.

The United States under normal conditions fixes the value of its own products and the outside world pays the price only because they want the goods.

There is no uniform price for anything in the different parts of the world; value is a relative thing affected by local conditions which made the price.

Credit money, tariffs, and combinations are the artificial influences affecting prices of commodities in the

United States and elsewhere to a considerable extent at present. "The value of money is in the inverse ratio of its quantity: the supply of commodities remaining the same," which are subject to the law of demand and supply affecting each commodity. This law of demand and supply will ever affect prices and value, and is as universal in its application as the law of gravitation.

This brings us to another fallacy acquiesced in by a great many who claim to be students and authorities upon the subject of money. They lay down the dictum that only gold, or its full legal-tender representative in paper, has any effect on prices of commodities, and constitutes the standard of value of other things.

It is only necessary to have actual and practical experience in the business world and watch the effect of the contraction of the currency on prices of things offered for sale and this theory vanished in thin air.

The panic of 1907 was a conspicuous object lesson or demonstration of this and destroys this theory for all time. Paper money of all kinds was bringing a premium in the financial centres and all kinds of money substitutes, clearing-house certificates, promises to pay issued on bonds, certificates of indebtedness, scrip issued by banks, were put out to arrest the fall in prices. Is there a monometallist who still contends that if silver, silver certificates, and national bank-notes, promises to pay, amounting to $1,730,700,353, were taken out of the currency system there would be no fall in prices of other things? If there be such a man standing in the light of the twentieth century no other term describes him than a gold monomaniac.

The people of the United States are now in position to

eliminate this gold juggling process and its baneful effect upon the business of this country, by issuing its lawful money, good everywhere, and the steady upbuilding of the greatest industrial empire the world has ever known can go steadily on, whose lawful full legal-tender money will forever circulate at par at home and bring a premium abroad, with all its accompanying potential force for peace and republican civilization the world over.

The establishment of a perfect money system should be taken up as an original proposition to be adapted to our form of government, and in keeping with the twentieth century development of the greatest republic known to the human race.

We should first forget the semibarbarous money systems of the past and be no longer hampered by their mistakes—they are to be contrasted as the primitive man in the dugout and the modern passenger in the swiftest ocean liner.

The so-called gold standard is the Chinese shoe of the ignorant past and can no longer be allowed to confine the business development of the world. To slightly paraphrase Dryden—

> "By education most have been misled.
> Habit continues what the nurse began,
> And thus the child imposes on the man."

The Rat in the Statue.

Hung Fung was a Chinese philosopher, nearly a hundred years old. One day his Emperor said to him:

"Hung, ninety years of study and observation must have made you wise. Tell me what is the evil in a government?"

"Well," said Hung, "it is the rat in the statue."

"The rat in the statue!" repeated the Emperor. "What do you mean?"

"Why, this," replied Hung—"We build statues to our ancestors. They are made of wood and are painted. Now if a rat gets into one of them we cannot smoke him out, because it would be disrespectful to an ancestor. We cannot drown him with water because that would wash off the paint. So the rat is safe because the image is sacred."

The Chinese philosopher embalms a crying evil of our times. We tolerate a chain of errors because they are set in sacred images. We follow strange lights because they gleam from past histories.

THE PROPER MONEY SYSTEM.

There is no such thing as real money without the impress upon it of the great law of legal-tender. This exclusive power to issue money is so imbedded in our democratic form of government, and so essential to its perpetuity and the well being of its people, that there would be little left if this highest act of sovereignty were destroyed or transferred to banks of issue.

The Supreme Court of the United States has long since decided this matter as applied to coin and paper money.

U. S. Rep. Vol. 110, p. 447.

This position is fortified by the fact that Congress is vested with the exclusive exercise of the analogous power of coining money and regulating the value of domestic and foreign coin, and also with the paramount power of regulating foreign and inter-state commerce. Under the power to borrow money on the credit of the United States, and to issue circulating notes for the money borrowed, its power to define the quality and force of those notes as currency is as broad as the like power over a metallic currency under the power to coin money and to regulate the value thereof. Under the two powers, taken together, Congress is authorized to establish a national currency, either in coin or in paper, and to make the currency lawful money for all purposes, as regards the National Government or private individual.

The United States Supreme Court speaking of this same power—

Legal-tender cases, 12th Wallace, declares:

It was for this reason the power to coin money and regulate its value was conferred upon the Federal Governfent, while the same power, as well as the power to emit bills of credit, was withdrawn from the States. The States can no longer declare what shall be money, or regulate its value. Whatever power there is over the currency is vested in Congress.

By the self-confession of bankers and financiers, who have grown rich while the people have grown poor, that after forty-five years, during which they have dominated and shaped all legislation on money, they all agree that the present system, which means a gold basis with "National Banks of Issue," is a dismal failure.

Under the operation of "Banks of Issue" and a gold basis for the redemption of credit money, promises to pay, we find all Europe staggering under a mountain of debt, created through, and manufactured by, the use of credit money put out by "Banks of Issue." These debts are then made permanent, and ever increased by the funding schemes put in operation until there is little left in the way of an equity above the assessed taxable value of their national wealth. If a country, state, or nation be bonded for all the assessed value of its property, the bondholders and not the people are the owners of it.

The people of these countries are crushed down by the weight of these debts to hopeless poverty; and ultimate failure is the economic fate of these nations.

Upon the historic side universal failure has been written upon the governments of the past.

America still hopes to demonstrate to the world a successful form of government. This cannot be done with a

false money system, or by following false precedents. The same can be said of a country that is said of an individual: "He is wise who learns by the experience of others, and a fool who does not learn by his own." We see inevitable failure written in unmistakable figures of debts upon these European countries, and to-day the premonitory symptoms are being felt in the United States from the same monetary causes. Business depressions and panics, strikes and rioting in this great country of almost boundless resources and natural wealth, are the signals of distress, red flags of danger ahead.

We should not temporize with this great economic question; we should leave it no longer in the hands of bankers —so-called financiers. Yea, more than that, we should no longer leave it a question to be settled by politicians and so-called statesmen, all amenable to the powers that be. Wealth, fashion, caste, and office, are against the interest of the people on this great question. Now that the issue has been made by the confessed failure of the present monetary system of the United States, the people will find those who are against our democratic form of government are in favor of the European system of money, and will throw their influence to the bankers' side in favor of a "Great Central Bank of Issue," but if the American people are once aroused upon the subject, the fact cannot be concealed from them, that *Indirect Taxation, Debt Funding Schemes, Gold Basis Banks of Issue,* are the corner-stones upon which rest the aristocracies of the old world.

All these are methods through which royalty legalizes the robbery of the toiling millions; and it makes no difference whether a king and a parliament of wealth, or a

President of the United States and Congress selected by the bankers and financiers preside, the condition of the masses will be the same.

Those who advocate this system virtually say to the American people, "All industrial and commercial interests that we can not control so as to own the surplus product of labor, be damned."

So outrageously un-American, un-Democratic, un-Republican, is the idea of a "Central Bank of Issue Money System," credit money uttered and controlled by money-lending corporations, that its secret promoters are abashed to such an extent that they are afraid to come out in the open and declare that they even advocate such a system. Yet the evidence is so plain "that he who runs may read," that plans are now being formulated, to quote in the words of Senator Aldrich at Paris, "to endow the United States with such a banking system as they have in Europe."

In the financial centres of this country it is now considered the most distinguishing mark of ability to be able to get the United States in debt to Europe. He is called an international financier and banker, who floats an American loan in the foreign market. The result is the American people are working for the manufacturers and promoters of debts in this country whose inordinate greed is projecting itself into the future and mortgaging this and future generations. At the same time the European capitalist is exploiting the American people by collecting indirectly from them interest and dividends on American stocks and bonds, the earnings of the country's labor and resources.

This means, as a great statesman has expressed it,

"British Capital against American Labor, and that question ramifies into all our internal and domestic affairs. Like to like the wide world over, the creditor sections of the United States draw sympathetically to the side of the British creditor. The American capitalist tends to the side of the British capitalist, American bankers who are largely under pressure from British bankers tend to their side." British interests seek to increase the value of British credits at the expense of American debits, and American bankers and capitalists have found it most profitable to co-operate with them.

The issue now before the voters of this country is no less than the control of our government in its financial affairs by bankers and promoters in New York and Europe, or its control by the people. It is, therefore, a matter of deepest and widespread importance to the whole country and to the latest posterity.

We can no more pattern our monetary system after that of Europe than rewrite the Constitution of the United States to conform to the monarchies of Europe. Our monetary system should stand for America, and for financial independence, and not chain this country to European thrones.

Money is so much value embodied in a circulating medium, which constitutes so many universal orders, which the people agree to accept for anything they own, including debts and services. As such they have authorized its issue by their sovereign power, the Congress of the United States.

Originally money was a due bill issued by one person to another, now it is a universal order, issued by all the

people against themselves, and is redeemable in the entire wealth of the country and the services of all its people. Originally the value of these dollars was expressed by the physical thing being stipulated in the due bill itself. Since, by an act of sovereignty taking on the character of universal orders, money is a creation of law and thereby being declared units of value, "American dollars," their value depends upon their number or quantity, other things being equal, and the standard of their value depends upon the quantity of dollars out. A proper monetary system is, therefore, to be regulated by the number of dollars issued under the authority of the sovereign power.

Money has become the most important factor in the business of the world and the law governing it must now be definitely understood. First of all it must be known that money, like everything else desired by man, is subject, as to its value, to the law of supply and demand. Next, as the medium of the exchange of everything else desired by man, it becomes the most important thing to be regulated in quantity, as it affects the value, through its quantity, of everything else.

It therefore goes without saying that a mathematical calculation is far more important in order to regulate the quantity of money than all things else. The law of demand and supply should be more carefully recognized in its effect upon money than upon any other economic question. For by the quantity of money—other things being equal—all things for sale are measured.

Should the *regulation* of this, the greatest *factor* in the business of the United States, be any longer left to accident, or the selfish manipulation of a certain class of

men calling themselves bankers and financiers, but in reality professional promoters and exploiters of the people—all in the business for what they can get out of it—not once applying the principle of the greatest good to the greatest number to the usefulness of money? On the contrary their paramount thought is: *How can we, the money handlers, make the most money out of the people?*

While all the judicial machinery of the Government is being used to break up monopolies that now fix the price to the consumer of the things they control, it is proposed in this central bank of issue scheme to have the Government transfer to banks the monopoly of the one thing, "money," which measures the value of the earthly possessions of every man, woman, and child in this republic. And the only reason they give for this is that Congress may abuse its sovereign right by an over issue of money. Therefore, the welfare of the American people should be turned over to the tender mercies of banking corporations!

It has been ably stated by a great constitutional lawyer and United States Senator, "If Congress can be trusted with the power of taxation, which reaches into every home and can take from the mouth of labor the bread which it has earned; if Congress can be trusted to levy taxes which collects from every man his share in the Government's support; if Congress can be trusted to enact our coinage laws and to regulate the value of our metallic money; if Congress can be trusted to adopt a criminal code affecting the lives and liberties of our people, surely Sir, there can be no good reason for fearing that it will not act wisely in regulating the currency of this country."

The question of the number of dollars to be issued into the monetary system should be a matter of careful calculation. First it should be based upon population and amount of national wealth—reliable figures for which we have, as shown on the tables—to be seen herein. The percentage of increase should be made upon the percentage of incrase in population and national wealth.

Reliable reports can be made to the Congress representing the people, from the Census Bureau, Department of Commerce and Labor, and the United States Treasury Department, giving reliable figures as to the population, wealth, and the number of dollars in the money system, from time to time.

The only objection presented by the opposition is that it might cause the issuing of too many dollars. This will not hold good. As all the people will have to accept these dollars for their property and services, they would resist any unnecessary increase of the percentage of dollars.

Those receiving daily wages and those working on fixed salaries would be against any unnecessary increase, as it would cause a rise in the price of the things they buy and thereby reduce the value of the dollars they receive. The influence of those owning debts alone would be sufficient to prevent any unnecessary addition to the percentage of increase.

It should require an act of the Congress to increase or reduce the percentage fixed by law. This gives an opportunity for all parties to be heard when the people demand any change; and in this republican form of government they are the sole arbiters of all economic questions affecting their welfare, as they have to bear the responsibilities

of the government under which they live, and suffer the consequences of all mistakes in legislation of whatever character.

"Nothing will ruin the country," said Webster, "if the people themselves will undertake its safety; and nothing can save it if they leave that safety in any hands but their own."

The change would not be as radical as it at first seems. The first step to be taken would be to issue full legal-tender lawful money of the United States in place of all national bank notes, and retire all Government bonds left for the redemption of same. This would add real money to the monetary system and take out of it promises to pay issued by national banks, and would save the tax-payers of this country $20,579,883 in interest a year, besides the principal of $695,996,112.

The question will be naturally asked what will be done with outstanding gold obligations, especially those held abroad. The United States should decline to any longer continue the economic waste of coining gold into dollars, but offer to settle foreign obligations in gold bullion or American full legal-tender dollars. American paper dollars are at a premium over gold in Europe, and the refusal of this country to leave its mints open to the free coinage of gold would have the effect at once of causing a decline in its value, and the greater purchasing power of the American dollar would be seen at once, and preferred over gold in the settlement of all obligations at home and abroad.

The retiring of all bank-notes (promises to pay) would not only relieve the tax-payers of the United States of all public debt and interest charges on same, but it would at

once put the whole monetary system of this country on an absolutely sound foundation. Every full legal-tender dollar would have squarely back of it the entire wealth of the United States and the services of the American people, and it could proceed to retire all other promises to pay money by real money—lawful money—full legal-tender money—money of ultimate redemption, the "best money in the world."

Report of the Comptroller of the Currency, 1909, page 59:

Money in Circulation November 1, 1909.

Gold coin (including bullion in Treasury)	$598,773,175
Gold certificates	795,203,498
Standard silver dollars	74,383,857
Silver certificates	481,794,889
Subsidiary silver	142,324,038
Treasury notes of 1890	4,021,535
United States Notes	342,179,962
National bank-notes	685,996,112

No one will question that lawful money, legal-tender dollars, are better than national bank-notes (promises to pay), silver certificates and silver dollars, no longer a legal-tender. Hence it would improve the whole money system by the substitution of full legal-tender dollars for this crippled and disfigured credit money, promises to pay, that can be used to put in operation what has been termed the endless chain to draw real money from the Treasury of the United States at any time, and bring on a panic and the issue of more bonds.

The national banks can hardly object to this substitution of full legal-tender lawful money which can be used by them as a legal reserve in place of these notes,

as they now claim there is no profit in issuing same on the two per cent. bonds of the Government. Thus $685,996,-112 of these national bank notes could be cancelled and the national debt reduced $685,996,112.

The silver certificates should also be replaced by full legal-tender lawful money.

The object being to have nothing but perfect money units—full legal-tender dollars in the monetary system of the United States, such as can be used as legal reserve in the banks instead of the present India rubber money issued by them.

The Congress should authorize the United States Treasury to hold in reserve an additional amount of money to be issued in case of emergency and subject to a tax sufficient to retire it. Thus the Government would be in position to head off panics, and without loss to the people.

The United States would then present a financial strength unknown in the past history of the world. A country with more real wealth than the rest of the world and without one dollar of national debt. With a monetary system made up of perfect money units, full legal-tender, lawful dollars, with the entire national wealth, and the service of ninety million people squarely back of every dollar for its redemption.

A simple and scientific money system can be thus established in perfect accord with the Constitution of the United States and our democratic form of Government.

The sovereignty and financial supremacy of the American Republic embodied in this dollar is now ever present in foreign countries, from the international banker who pays the premium on it down to the simple intelligence

of the Spanish grape seller, who accepts the American nickel, saying, "American money, the best money in the world."

What a lesson and what a commentary upon the old world, that this, the American Republic, only forty-five years after a great civil war, causing the loss of untold millions, has created national wealth amounting to over $117,000,000,000; and owing to this fact, and this fact alone, the annual productive force of its people, the money of the United States brings a premium in the markets of the old world. The gold in the war chests of Europe pays tribute to the American dollar, the product of the sovereignty and supremacy of the American people.

IT IS FOR AMERICA, WITH HER ROBUST, ENTERPRISING, AND HIGHER CIVILIZATION OF THE TWENTIETH CENTURY, TO ESTABLISH A PROPER MONEY SYSTEM.

THE people of the old world, made subservient by the rule of kings, took little interest in the question of what is money and its economic effect upon their individual lives.

The people of the United States have followed their example. Thus the question of the most vital interest to mankind has been overlooked. For money measures the value of the labor and earthly possessions of every man, woman, and child, and affects them at every point of contact in a civilized community; therefore nothing can be more important to the welfare of each and every individual than an adequate currency made up of perfect money units, or dollars, that will circulate throughout the body politic without let or hindrance, and beyond the control or machinations of any individual or combination of men. There is little hope that the countries of the old world will ever have the initiative to correct this blunder. It is for America, with her robust, enterprising, and higher civilization of the twentieth century, to establish a monetary system based upon sound economic principles capable of furnishing dollars—perfect money units—commensurate with the needs of this great republic in its marvellous growth and increase of wealth and population.

The present loaning system of the banks encourages debt-making by the people, based upon speculative gambling, made respectable mainly by the bankers encouraging it.

Any one desiring to buy the favored stock or bonds in which the management of these banks are interested can borrow 95 per cent. of their "stock exchange" value from these banks. Thus a man having only $100 can go into debt $2000 and having $1000 can borrow $20,000.

In any legitimate business the same man would have to deny himself and accumulate $40,000 of property of the best character before any bank would loan him $20,000.

This being the case is there any wonder that men are induced to gamble by buying and selling stocks and bonds on margins?

Under the legitimate process as a producer of wealth it would take him half his life to get this bank accommodation, whereas, under the gambling process, he can commence business on $100 and at once become a debtor, paying interest to a bank on $2000.

The bankers and promoters of these stock and bond issues, in order to float them on the market, use the money of the depositors in the banks, and, as a rule, the so-called millionaires are the largest borrowers.

Banking corporations handling the circulating medium of this country should be run in the interest of the people and not as private snaps for bankers and promoters. This money does not belong to the bankers and promoters, but to the depositors in the banks; yet this money, within the reach and control of these banking financiers, is used by them in the control of large stock and bond operations,

which swing the market value of the securities either way, subjecting the small investors to ultimate loss.

It's a well-known fact that no man can invest money in any legitimate useful or profitable undertaking for less than ninety days and expect to get any returns in the way of earnings upon it. Also that if a bank is not sufficiently in funds to loan it for ninety days it should not make the loan at all.

The system of call loans, demand loans, and thirty day loans, instituted by banks to give perpetual motion to money, is destroying the time of our people by keeping them forever in attendance on banks. It not only takes the time of the people from useful and productive pursuits, but multiplies debts against every man in sight until to-day there is not a man to be found who is not paying tribute to, and dancing attendance on, banks and money lenders. The result of this system of lending is destroying the mental and physical energy of the American people and seriously affecting their usefulness in all legitimate business.

There is no more certain way of enslaving a people to a creditor class than by making debtors of them in a country where the population and demand for money is increasing without a corresponding increase in the supply of real money. This slavery is the most cruel known to the human race: it is not only the means by which the master enjoys the earnings of the man through ingenious instruments of credit, but it takes hold upon his mind and nervous system until life itself become a debtor's prison.

To prevent this no demand or call loans should be allowed on industrial stocks and bonds, and no loans made

where stocks and bonds are taken as collateral securities for more than 75 per cent. of their market value. This would stop 90 per cent. of the gambling in stock and bond promoting schemes and trust combinations.

Officers of banks should not be allowed to participate directly or indirectly in profits on any loans made by the bank in which they are directors or officers, or be allowed to become large borrowers from the banks.

As a bank handles the money of the people and occupies the most important fiduciary position conceivable, affecting the whole economic conditions of the country and all business undertakings, therefore, first of all it should be an unselfish management in the interest of the people.

A bank's surplus of profits accruing from the rate of discount above a certain rate fixed by law should not be distributed but held as part of the reserve of the bank for the protection of its depositors. Thus would be removed the incentive now ever present with banks to-day to extort from the borrower the highest interest rate.

In studying the following answers of M. Pallain, Governor of the Bank of France, to the questions put to him by the American National Monetary Commission, 1910, it should be borne in mind that under the banking system thus described the people of France have not known a panic for sixty years.

Q. Is the rate of discount at all times the same at the Central Bank and at all branches?

A. Yes.

Q. Is the rate the same at the bank and the branches for loans on securities?

A. Yes.

Q. Does the Bank of France make the same charge for the discount of bills and for loans upon collateral?

A. The Bank usually charges somewhat more for loans upon collateral than for the discount of bills. The rates at present are 3 per cent. and 4 per cent., respectively.

Q. Do you think that it would perhaps be more advantageous for the Bank of France, considered simply as a bank, to impose different rates under different circumstances and at different places?

A. As a banking establishment, if we thought it advisable to apply different rates, we could easily become the masters of the market. But in our position of Bank of France, *organized to serve the interest of public* credit in a *democratic country, we do not believe ourselves justified to use this option.*

The Bank of France pays no interest on money deposited in the bank. This is another reason why the interest on money can be kept uniformly low.

Q. In addition to your capital you have several classes of reserves (surplus) mentioned in your statement. Will you kindly explain to us the different classifications and if each of these classes of reserve (surplus) are required by law?

A. All the reserves which are detailed in the statement are required by the laws which govern us and constitute for us legal obligations. They are of four kinds and comprise:

(1) Surplus of profits in addition to the capital accruing from raising the rate of discount above a certain fixed rate and which, according to the terms of the law, *can not be distributed.* It now amounts to 8006,145 f. 84 (see

the law of the 9th of June, 1857, art. 83, and the law of the 17th November, 1897, art. 12).

Q. Is the amount of all taxes paid by the Bank to the state included in your report?

A. Yes. The Bank is subjected to all the general taxes imposed on private companies, and which, for the last year's business, are divided up as follows:

		Francs
1°.	Direct taxes (land tax, taxes on doors and windows, licenses, on mortmain property, etc.)	824,800
2°.	Tax of 4 per cent. on dividends	1,330,700
3°.	Stamp tax on shares	55,000
4°.	Tax of 4 per cent. on the interest of loans granted to companies	41,600
	Total	2,252,100

Besides the general taxes the Bank pays special taxes as follows:

		Francs
(1)	The stamp tax on notes, as above explained, and which amounted in 1907 to	1,473,000
(2)	The royalty to the State, stipulated by article 5 of the Law of November 17, 1897, and calculated by multiplying the average amount of the productive circulation by one-eighth of the average rate of discount. This amounted in 1907 to	7,357,000
	Total	8,830,000

"To sum up: The public charges of the Bank in 1907 were more than 11,000,000 francs, whereas the profits distributed were 31,000,000 francs. They therefore amounted, for the last year, to about a third of the net product."

The Greatest Burden that Labor Has to Bear is Interest on Money.

It makes no difference whether it is a national debt, or bonds secured upon the productive resources of this country. By issuing bonds and other interest-bearing obligations, the people enter into servitude to the rich. Bonds mean bondage of the people to the bondholder. The more bonds we have to pay, the longer the time they have to run, the more permanent and certain the slavery of the people of that country which is so bonded.

I call on the American people to heed at once the prophecy of one of England's most sagacious statesmen, and avoid a like result; an interest-bearing debt upon the resources of a country has to be borne by its people.

Mr. Pitt is described by the historian as follows:

"From the prime of his manhood to his death, all the powers of his vigorous mind were almost constantly exerted in the work of parliamentary government. He accordingly became the greatest master of the whole art of parliamentary government that has ever existed, a greater than Montague or Walpole, a greater than his father Chatham or his rival Fox, a greater than either of his illustrious successors Channing and Peel."

William Pitt, Chancellor of the Exchequer, said of the *inauguration of the first National Bank in the United States under Alexander Hamilton, "Let the American people go into their debt-funding schemes and banking systems, and from that hour their boasted independence will be a mere phantom."*

Thomas Jefferson, condemning banks of issue, says, "I have ever been the enemy of banks, not of those discounting for cash, but of those foisting their own paper into circulation and thus banishing our cash. My zeal against those institutions was so warm and open at the establishment of the Bank of the United States that I was declared a maniac by the tribe of bank mongers who were seeking to filch from the public their swindling and barren gains."

Henry Cernusche stated twenty-five years ago, "Pernicious in Europe, Pernicious in America, Pernicious in Asia, the monometallic gold scheme has produced, and can produce nothing but disaster."

No one will deny that unrest exists throughout the civilized world and a great undertone of discontent is welling up from the heart of humanity in every country in the world, an irrepressible conflict is going on between those who have and those who have not. The impulses of human sympathy are being destroyed. Man is no longer his brother's keeper. The limitations of the innocent and ignorant have become the birth gift of the selfish, avaricious and dishonest.

Poverty's army is growing larger each year, and industrial revolutions are being felt in every country in the world. Daily uncertainty grows stronger as to future events.

Such is the condition of the human family, although the promise covered, and promise keeping earth, the economic mother of us all, has been more than generous in all her gifts—and the inventive genius of man has more than kept pace with her wonderful bounties.

For this world-wide trouble there must be a world-wide cause.

The older countries of the world have failed to find or correct the evil; the United States of American can not cure this universal complaint, with which she too is now seriously affected, by copying foreign banking systems, where the conditions are infinitely worse.

The question now broadly to be answered is: Does the United States with all the advantages, inventions, and accumulations of the past, which should add to the advancement, mentally, morally, and physically, of the human race, admit that human government is a failure, happiness and contentment a dream. If not, the economic cause of the failure should be found and eradicated at any cost. Since all other remedies have failed, the question should be asked, what is the one thing universally sought by all civilized beings, and its absence the cause of universal unrest and complaint.

The universal demand for money has been described as follows:

" The competition for money is not only incessant, but instant, urgent, importunate, and universal. So long as men have needs, it will be ceaseless and unremitting. Each worker gives his services not for goods to be obtained from the maker of such goods, but for money to be obtained from his own employer. Each employer, in turn parts with the goods made by the workman, not directly for other goods but for money. Thus all men are engaged each in his own vocation, in unceasing competition with every other man, for units of money—each hatter in competition with every other hatter, each shoemaker with every other shoe-

maker, and so the process continues through the long round and procession of occupations."

Under the present civilization of the world, none but beggars and mendicants make direct demand for clothes, bread or other things, hence the universal demand of all the people for all their wants falls upon money. I repeat the question, "what is the one thing needed?"

The answer comes from the four quarters of the earth, "money," for the reason described by the prophet, because it "Answereth all things."

Money is needed by the laborer for his daily bread. To keep the sheriff from the door; the auctioneer's flag from the home.

Money is needed to protect the equities in all the property of the people.

Money is needed to protect the debtor from the creditor.

In short, money is the one thing needed to sustain mankind and keep going the multifarious industrial development of the world.

Yea	Commercial ratio of silver to gold.†	Money in circulation July 1. Gold.[g]	Silver.[g]	Year.
		Dollars.	*Dollars.*	
1800	15.68	[h]16,000,000		...1800
1810	15.77	27,000,000		...1810
1820	15.62	22,300,000		...1820
1830	15.82	26,344,295		...1830
1840	15.62	79,336,916		...1840
1850	15.70	147,395,456		...1850
1851	15.46	175,088,354		...1851
1852	15.59	189,367,864		...1852
1853	15.33	214,057,107		...1853
1854	15.33	220,862,033		...1854
1855	15.38	231,068,024		...1855
1856	15.38	230,098,675		...1856
1857	15.27	242,289,886		...1857
1858	15.38	253,601,684		...1858
1859	15.19	245,660,724		...1859
1860	15.29	228,304,775		...1860
1861	15.50	246,400,000		...1861
1862	15.35	25,000,000		...1862
1863	15.37	25,000,000		...1863
1864	15.37	25,000,000		...1864
1865	15.44	25,000,000		...1865
1866	15.43	25,000,000		...1866
1867	15.57	25,000,000		...1867
1868	15.59	25,000,000		...1868
1869	15.60	25,000,000		...1869
1870	15.57	25,000,000		...1870
1871	15.57	25,000,000		...1871
1872	15.63	25,000,000		...1872
1873	15.93	25,000,000		...1873
1874	16.16	25,000,000		...1874
1875	16.64	25,000,000		...1875
1876	17.75	25,000,000	21,055,128	...1876
1877	17.20	25,000,000	37,884,853	...1877
1878	17.92	25,000,000	55,127,573	...1878
1879	18.39	110,505,362	69,383,023	...1879
1880	18.05	225,695,779	68,622,345	...1880
1881	18.25	315,312,877	76,181,776	...1881
1882	18.20	358,251,325	78,783,769	...1882
1883	18.64	344,653,495	82,125,749	...1883
1884	18.61	340,624,203	86,351,008	...1884
1885	19.41	341,668,411	82,789,890	...1885
1886	20.78	358,219,575	98,842,613	...1886
1887	21.10	376,540,681	104,132,586	...1887
1888	22.00	391,114,033	105,889,710	...1888
1889	22.10	376,481,568	105,934,463	...1889
1890	19.75	374,258,923	110,311,336	...1890
1891	20.92	407,319,163	117,045,399	...1891
1892	23.72	408,568,824	120,111,166	...1892
1893	26.49	408,535,663	122,399,539	...1893
1894	32.56	495,976,730	112,075,619	...1894
1895	31.60	479,637,961	112,336,057	...1895
1896	30.59	454,905,064	112,321,355	...1896
1897	34.20	517,589,688	111,556,690	...1897
1898	35.03	657,950,463	122,539,886	...1898
1899	34.36	679 738,050	130,547,250	...1899
1900	33.33	610,806,472	142,050,334	...1900
1901	34.68	629,790,765	146,156,537	...1901
1902	39.15	632,394,289	154,468,577	...1902
1903	38.10	617,260,729	165,117,934	...1903
1904	35.70	645,817,576	166,842,169	...1904
1905	33.87	651,063,589	175,022,043	...1905
1906	30.54	668,655,075	188,630,872	...1906
1907	31.24	561,697 371	203,487,845	...1907
1908	38.64	613,244,810	200,506,822	...1908
1909	39.74	599,337,698	204,319,698	...1909
1910	....	592,547,340	217,229 937	...1910